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AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATION BILL, 1987

JULY 16, 1986.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WHITTEN, from the Committee on Appropriations, submitted the following

REPORT

[To accompany H.R. 5177]

The Committee on Appropriations submits the following report in explanation of the accompanying bill making appropriations for Agriculture, Rural Development, and Related Agencies for fiscal year 1987.

AMERICA—A GREAT NATION

We have a great country, a wealthy country. The Commerce Department's estimate of the present national wealth, which includes the value of structures, equipment, inventories, and land, is $16.2 trillion. This is 36 times greater than what it was in 1940 and 41 times greater than in 1934. It is important that we continue those practices that have made our country great—to encourage productivity and to ensure that essential programs of benefit to the people of the country not be discontinued simply to reduce spending. The budget must be balanced, but at a high enough level to provide a strong economy.

In order to ensure our continuation as a great nation, we need a strong national defense that is backed by a strong country and public support—strength that can come only by protecting and developing our nation's resources—our real wealth, our lands and waters. The development of our rivers and harbors and the construction of our schools, highways, airports, etc. along with an educated, healthy populace, with adequate food and nutrition flowing from a strong agricultural base, provides the foundation for our national growth.

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1987 BUDGET FOR AGRICULTURE

LARGEST TRADE DEFICIT IN HISTORY

This is a dangerous and tragic economic period in the Nation's history. Perhaps the only similar period was in the midst of the terrible Great Depression.

The Department of Agriculture recently reported that our May farm trade deficits of $348,200,000 are the greatest in the history of our Nation as we buy more imported food and export less. Concern grows that unless the present trend is altered, we may become a net food importer within a few years, giving up our long held role as food supplier to the world.

American agriculture is the largest customer of American industry and labor. American agriculture is the consumer's source of the finest and most economical supplies of food. American agriculture provides one out of five jobs in our country.

In taking this plunge from a net exporter to a net importer, agricultural products join the rest of our economy in following the situation facing steel, textiles, shoes, automobiles and almost everything else. The overall trade deficit widened to $14,200,000,000 in May, up from $12,100,000,000 in April. The trade deficit for 1986, based on monthly averages, will be $167,000,000,000, surpassing the $148,500,000,000 deficit for 1985.

The trade deficit with Japan, where we spend $1,600,000,000 in support of our troops to protect them, is more than $49,000,000,000 annually. The deficit with Japan increased to $5,000,000,000 in May, up from $4,700,000,000 in April.

Imports of petroleum have increased to $2,800,000,000 in May from $2,100,000,000 in April. Similar increases are reflected for steel, textiles and shoes. We are buying all this with borrowed money.

AGRICULTURE ON THE ROPES

Farm debt stands at $212,000,000,000, more than double the level of ten years ago, and at a time when farm lenders such as Farmers Home Administration, Production Credit Associations, and private banks are teetering on the brink of bankruptcy—many have already failed.

The Federal Deposit Insurance Corporation reports that a total of 120 banks, including 62 agricultural banks, failed in 1985—an increase of more than 50 percent over the previous high of 79 in 1984. Another 120 banks are expected to close in 1986.

Depressed farm prices continue to be too low to cover production costs which have increased over 40 percent since 1979. In 1985, farm interest payments alone totaled some $22,000,000,000, compared with net farm income of only $30,000,000,000.

The value of land in sections of the farm belt has decreased by as much as 75 percent over the past several years and farm equities have declined some 40 percent since 1980.

While some farmers have been able to avoid bankruptcy during the current farm crisis, many are deeply in debt and many are losing their farms every day. Those in the most serious trouble are the family farms which make up some 34 percent of all farms and account for about 90 percent of all farm sales.

For some years our course has been to not aggressively compete for foreign trade. The result of this course has been to grant our normal markets to our competitors.

The new Farm Bill provides a price below the cost of production for basic or storable commodities with the difference being paid by a check from the Government. It will cost $25,000,000,000 before this year is over, and will cost $17,000,000,000 next year.

In the face of these conditions, the Office of Management and Budget, a part of the Executive Branch, recommends elimination or drastic reductions in the following:

- Rural electrification program.
- Soil conservation programs.
- Cooperative Extension programs, including 4-H and urban gardening.
- Cooperative Research programs.
- Temporary emergency food assistance program.
- Rural housing loans and grants.
- Rural development programs, including water and sewer systems.

The budget proposed by the Office of Management and Budget would eliminate or drastically reduce all items in the budget provided by the Congress for the 84 percent of our country which is classified as rural.

Your Appropriations Committee has refused to go along with the recommended actions.

Our Nation must have a prosperous economy. The public debt which took two hundred years to reach $1,000,000,000,000 grew to more than twice that, $2,000,000,000,000, in just the last five years.

This deficit spending has produced activity, but in the process has reduced our productivity.

It must be remembered that the funds by which domestic programs were or are to be reduced do not go to the debt or the deficit. They go instead to increase the buildup of unspent funds for other activities of the Government which carry over from year to year.

BUDGET CUTS REJECTED

In handling this annual appropriation bill for Agriculture, Rural Development, and Related Agencies for fiscal year 1987, the Committee has experienced one of the most difficult tasks in its history. It has been faced with budget cuts of nearly $10 billion in the Department's essential farm programs at a time when American agriculture and farm producers are facing the most serious financial crisis since the Great Depression of the 1930's.

A detailed listing of the program reductions, terminations, and user fee proposals for the Department of Agriculture, proposed by the Office of Management and Budget but recommended for restoration by the Committee, follows:

PROGRAMS BUDGET WOULD ELIMINATE OR REDUCE BUT COMMITTEE HAS RESTORED

Conservation programs:	
Agricultural conservation program	$180,739,000
Watershed and flood prevention operations	174,885,000
Great Plains conservation program	20,747,000
Water bank program	5,000,000
Forestry incentives program	11,891,000
Resource conservation and development	25,020,000
River basin surveys and investigations	14,166,000
Subtotal	432,448,000
Rural development programs:	
Rural electric and telephone loans	1,971,420,000
All rural housing loans	2,196,283,000
All rural development loans	516,780,000
All rural grants	161,353,000
Subtotal	4,845,836,000
Farmer programs.	
Farm ownership loans	515,000,000
Emergency loans	700,000,000
Foreign market development (cooperator program)	12,800,000
Subtotal	1,227,800,000
Research and Extension:	
Smith-Lever grants	229,713,000
Special research grants	25,778,000
Animal health grants	5,476,000
Expanded food and nutrition education program (EFNEP)	57,635,000
Urban gardening	3,329,000
Farm safety	970,000
Financial management assistance to farmers	1,427,000
Pest management programs	7,164,000
Graduate fellowships and Morrill-Nelson	5,652,000
Foreign currency research	2,500,000
Subtotal	340,644,000
Animal and plant health:	
Animal damage control	20,927,000
Boll weevil	2,906,000
Pink bollworm	2,275,000
Animal welfare and horse protection	6,029,000
Imported fire ant	5,526,000
Noxious weeds	750,000
Pseudorabies	1,500,000
Witchweed	4,493,000
Subtotal	44,406,000
Agricultural marketing:	
Wholesale market development	1,501,000
Federal-State market improvement program	942,000
Federal Seed Act	959,000
Subtotal	3,402,000
Feeding programs:	
Temporary emergency food assistance program	50,000,000
Total	6,944,536,000

USER FEE PROPOSALS REJECTED

Under the proposed budget, legislation would be submitted to Congress to fund the following agencies or programs through user fees in lieu of appropriated funds. This proposal is rejected and the following amounts have been recommended for restoration in the appropriation bill:

Food and Drug Administration	$26,000,000
Food Safety and Inspection Service	361,400,000
Federal Grain Inspection Service	6,697,000
Packers and Stockyards Administration	8,945,000
Agricultural Cooperative Service	4,469,000
Agricultural Marketing Service	30,945,000
Animal and Plant Health Inspection Service (various programs)	21,000,000
Rural Electrification Administration (administrative costs) [1]	25,000,000
Agricultural Stabilization and Conservation Service (administrative costs) [2]	46,000,000
Total	530,456,000

[1] The budget proposed a 5-percent user fee on all REA loans.

[2] The budget proposed user fees to cover the administrative cost of making price support loans.

NEED TO CURTAIL SPENDING

The Committee is well aware of the urgent need to curtail unnecessary Federal expenditures and reduce projected deficits. It strongly believes, however, that the programs proposed for elimination or reduction are of great value to the Nation and must be continued. Past contributions made by such programs demonstrate clearly the great importance of each to the economic strength of the Nation and the well-being of the American people.

We are still a wealthy country—the material wealth, highways, factories, schools, ports, harbors and all the rest increased 41 times since 1934, 36 times since 1940.

We must admit, however, it is heavily mortgaged, particularly with the national debt doubled in the last 5 years. This fact should make us, stop, listen and change our course.

RECOMMENDED BILL

The bill recommended by the Committee is composed of the following major components and is within the budget allocation total:

	Billions
For consumer programs	$19.0
For research and extension	1.1
For direct capital investment in rural America	4.0
For Food for Peace (P.L. 480)	1.3
For general agricultural programs	1.3
For helping to make up to the farmer for a selling price below the cost of production	18.5
Total	45.2

Consumer programs include the domestic feeding programs and the food inspection programs, including the Food and Drug Administration. Direct capital includes flood control and conservation programs and interest assistance on construction of housing and other rural development projects. General agricultural programs include the administrative functions of the Department as well as agencies such as the Animal and Plant Health Inspection Service, which is both consumer and farmer oriented, and agencies and programs which are to help farmers or those engaged in agriculture, such as the Agricultural Stabilization and Conservation Service and the crop insurance program.

CONSERVATION PROGRAMS

Nationally, more than 175 million acres of private land is subject to flooding. Average annual upstream flood damages are estimated at over $3.0 billion. An estimated $2-3 billion in upstream flood damages are prevented annually by over a thousand watershed projects that have been installed under SCS programs. So far in fiscal year 1986, severe flooding has occurred in Virginia, West Virginia, Maryland, Mississippi, Pennsylvania, and Louisiana, after rainfall amounts of up to 19 inches were reported in portions of these States over a twelve-hour period. Record precipitation amounts occurred also in California, and several other western States in February 1986. Storm runoff from these events caused widespread damages to stream and watercourses. Major assistance was provided through the SCS emergency watershed program to repair the damages.

Yet, even with the continued problems of flooding, the Administration's fiscal year 1987 proposal was to abolish these longstanding successful watershed protection programs. We must hold back the floodwaters in the upper watersheds before they reach the bottomlands and cause devastation. By all means, we should not lessen our flood control and conservation efforts, we should continue to manage our lands to prevent erosion and floods.

A review of the contributions that the conservation programs have made to the protection and preservation of the country's basic resources and its ability to produce plentiful supplies of wholesome and inexpensive food for domestic and overseas consumers clearly shows their great value to the Nation.

Agricultural conservation program

The agricultural conservation program (ACP), established in 1936, has been a major contributor to the very valuable conservation accomplishments of the country during the past half-century. It has provided the seed money to encourage and enable farmers and landowners to contribute an equal amount of their own money, plus their labor, to carry out prescribed conservation practices on their land. It has resulted in twice as much conservation work as the amount of Federal funds provided.

This program has been primarily responsible for the reversal of the long-term loss of prime farmland, water and timber resources between the early days of the republic and the mid-1930's when our present intensive conservation efforts began. It has restored many of the eroded hillsides and worn-out bottomland which had been permitted to develop during these earlier years. The following table from the Department of Agriculture indicates the significant contribution of ACP to the national conservation efforts:

AGRICULTURAL CONSERVATION PROGRAM PRACTICES PERFORMED IN 1984 AND TOTAL ACCOMPLISHMENTS 1936-84

Practice	Unit	Extent under 1984 program	Total accomplishments 1936-84
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses.	Structures	14,000	2,546,000
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution.	Acres	388,000	38,625,000
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution.	do	102,000	115,756,000
Trees or shrubs planted for forestry purposes, erosion control or environmental enhancement.	do	150,000	8,148,000
Forest tree stands improved for forestry purposes or environmental enhancement.	do	25,000	5,119,000
Wildlife conservation	do	35,000	[1] 14,807,000
Sediment pollution-abatement structures or runoff control measures.	do	425,000	[2] 20,102,000
Conservation tillage including reduced tillage and no-till	do	1,009,000	[3] 4,176,000

[1] From 1962 with certain data estimated.
[2] From 1970.
[3] From 1973.

Watershed and flood prevention operations

Watershed and flood prevention operations have also made important contributions to the country's resource conservation efforts. Since 1935, over 3,000 soil conservation districts have been established, the river basins have been planned and many individual watersheds have been treated. Soil erosion has been stopped and fertility restored on over 100 million acres of cropland.

Public Law 566 watershed projects were authorized in 1954 under Public Law 83-566. This was an outgrowth of the Public Law 534 watersheds that were limited to 11 authorized projects, comprising about 30 million acres. Through P.L. 566 watershed projects, conservation measures are established on private and public land and dams, and other water control structures are built on upstream tributaries to ensure effective water management. Public Law 566 projects are limited to an area no larger than 250,000 acres. The Federal Government gives technical help in planning and installing the measures, pays the cost for flood prevention and shares other costs. As of September 30, 1985, 2,331 applications had been received covering 172,113,757 acres, 1,970 projects were in the planning stage covering 138,586,336 acres, 1,350 projects had been approved or completed covering 86,353,286 acres.

Great Plains conservation program

This program has been in effect in 518 counties in 10 States since 1956—Montana, Wyoming, Colorado, New Mexico, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, and Texas. It has helped farmers and ranchers protect their light and fragile soils from erosion and wind-blow, and has stabilized production in drought-prone areas. A landowner develops a cost-share plan with technical assistance from USDA and signs a three- to ten-year contract. Through September 20, 1985, approximately 131 million acres of the approximately 198 million acres in the 518 designated counties have been treated.

Water bank program

The primary objectives of this program are to preserve, maintain and improve the Nation's wetlands, to conserve surface waters, and to preserve and improve the habitat of migratory waterfowl and other wildlife resources. In return for annual payments, the landowner agrees not to drain, burn, fill or otherwise alter the wetland character of the land under contract. Agreements are for ten years, subject to renewal at the beginning of the fifth year. From calendar year 1972 to September 30, 1985, 7,948 agreements covering 854,102 acres out of the 69 million acres eligible for this program have been entered into.

Forestry incentives program

The purpose of this program is to encourage the development, management and protection of nonindustrial private forest resources. Under the program the landowner enters into either an annual or a three- to ten-year agreement to perform designated forestry practices in return for ASCS cost-share assistance up to 65 percent of the cost, subject to a limitation of $10,000 to any person during any one year. From 1975 through 1984, 79,060 participants signed agreements on about 2.5 million acres of private forestland. It is estimated that 196 million acres need treatment under this program.

Resource conservation and development program

The resource conservation and development (RC&D) program began in February 1964 under authority of Section 102 of the Food and Agricultural Act of 1962 (P.L. 87-703). Program objectives are to improve the effective use and conservation of natural resources in rural communities by focusing on erosion control, flood prevention and better management of land, energy and water resources. Agencies within the Department of Agriculture provide technical, financial and loan assistance to local sponsors. These sponsors initate and direct the planning process, develop and maintain an RC&D area plan, and carry out activities to implement the plan. As of September 30, 1985, technical assistance was being provided to 194 authorized RC&D areas covering approximately 847,844,000 acres. In FY 1985, 187 measures were installed with financial assistance provided through the RC&D program bringing the total to 2,684 measures completed.

EXTENSION SERVICE

As noted earlier, the Committee rejects the proposed 60 percent reduction in the Extension Service for 1987. The major portion of the proposed reduction was in Smith-Lever funds, including a cut of about $60 million for the food and nutrition education program.

Food and nutrition education program

This program was initiated in 1968 with section 32 funds, later funded under the Smith-Lever Act [in 1970, and currently funded under the Farm Bills of 1981 and 1985]. It was initiated to help low-income families, especially those with young children, to learn how to improve family nutrition. It is carried on by the Cooperative Extension Service in the 50 States, Guam, Puerto Rico, the Virgin Islands, Micronesia and American Samoa. It is operating in 775 locations, including cities and Indian reservations. Since 1968, about 2.5 million homemakers and over 6 million young people have participated. The program employs approximately 500 professionals and 5,000 para-professionals. More than 57,000 volunteers work with this staff to extend the program to rural and urban households.

4-H program

The 4-H youth education program of the Extension Service is an informal educational program supported by the combined research and extension functions of USDA, State land-grant institutions and county governments. Its objectives are to assist youth to acquire knowledge, skills and attitudes which will enable them to become productive and contributing members of society. Today, there are approximately 5 million boys and girls involved in this program. Since 1914, over 40 million young people have participated. A national study showed that 1 out of every 8 adult Americans is a 4-H alumnus.

RURAL ELECTRIFICATION ADMINISTRATION

The Rural Electrification Administration (REA) is authorized by the Rural Electrification Act of 1936, as amended, to provide capital through insured loans from the Rural Electrification and Telephone Revolving Fund, the Rural Telephone Bank, and guarantees of loans of other lenders to qualified rural electric and telephone organizations. Through REA's insured loan and loan guarantee programs, over 3 million miles of electric and telephone lines have been provided for more than 15 million consumer/subscribers.

The Rural Electrification Administration has made a major contribution to electric and telephone service in rural areas. In 1940, only one-third of the farm families had electricity and telephones in their houses. Today, 100 percent of farm families have electricity and 97 percent have four-party rural telephone service—and one-party service is being developed where needed.

FARMERS HOME ADMINISTRATION

The Farmers Home Administration administers a broad range of loan and grant programs for farm credit, rural development and rural housing. For many years, these programs have provided a valuable source of credit to those agricultural producers who have been unable to obtain necessary credit from other sources such as the Farm Credit Administration and private lenders. Many farmers are still in business today who would not have been able to continue to farm had this "last resort" source of credit not been available to them.

The 1987 budget proposes to terminate rural housing, community development and soil conservation loans, and to provide a larger share of the ownership and real estate loans by guaranteed rather than direct loans. It proposes to discontinue all loans and grants for rural water and waste disposal, community facilities, business and industrial, and community fire protection. It proposes to discontinue all loans and grants for low-income housing and repairs, domestic farm labor housing, rental or cooperative housing, rental assistance, and mutual and self-help housing.

Since 1949, some 1.9 million loans have been made to build or modernize over 1.1 million single-family homes and 19,300 loans have been made to build 310,000 new rental units in rural communities. Since 1937, 27,300 loans have been made to establish 13,195 water and waste disposal systems in rural communities.

RESTORATION OF FUNDS ESSENTIAL

Agriculture is the foundation of our economy. It is the Nation's largest producer, bigger than the automobile, steel and housing industries combined. It is the largest market for the goods and services of industry and labor.

A strong national economy is dependent on a healthy agricultural economy. A strong and effective defense effort is more dependent on broad public support and a strong economy than on continued large increases in funds for the Defense Department.

Failure to maintain a strong farm economy would be a serious mistake. It was the agricultural depression of the 1920's that led to the Great Depression of the 1930's. This must not be permitted to happen again through the weakening of the valuable leadership of the Nation's Department of Agriculture.

It is essential, therefore, that the Congress provide adequate funds, as recommended in this bill, to enable the Secretary of Agriculture to restore and maintain farm income at a level which will keep farmers in the business of producing the Nation's supply of food and fiber, plus what is needed to meet demands of other areas of the world. Also, it is imperative that adequate funds be provided to continue those valuable conservation programs which have done so much during the past 50 years to protect and preserve the basic natural resources of our country for present and future generations. It is also necessary to fully fund those rural development programs which help to maintain a strong and healthy rural economy for the well-being of both rural and urban people. The research and extension programs, which have provided consumers with ample supplies of nutritious and inexpensive food, must not be abandoned.

The development and expansion of domestic and overseas markets holds the key to better commodity prices and improved farm income. This work must be pursued with even greater vigor in the future. The programs of the Rural Electrification Administration and the Farmers Home Administration, which have helped to bring city comforts to rural areas, must be given continued support by the Congress and by the general public.

Further details as to specific amounts restored will be found in the individual program discussions presented later in this report.

FARM CRISIS WORSENS

The financial condition of American agriculture continues to decline. Every day the news media is full of stories concerning the increasing number of farm foreclosures, and the suffering, sorrow, and even suicides that have followed. Such reports also indicate the growing number of small town merchants who are going out of business and the drying-up of many rural communities. The Federal Deposit Insurance Corporation reports that a total of 120 banks, including 62 agricultural banks, failed in 1985—an increase of more than 50 percent over the previous high of 79 in 1984. Another 120 banks are expected to close in 1986.

A person needs only to look at the various factors affecting agriculture to understand the seriousness of and reasons for the present farm crisis.

FARM INCOME

Net farm income has remained virtually constant during the past decade, fluctuating from $25.5 billion in 1975 to a low of $15 billion in 1983 and a high of $34.5 billion in 1984. It declined to about $30 billion in 1985 and could drop further in 1986 if crop receipts fall due to smaller crops and lower prices.

Although farm income has remained depressed, national income (GNP) has expanded greatly during this period. While the share of the consumer dollar given by law to industry and labor has increased from 49 percent to 73 percent since World War II, the share left for the farm producer and his family has decreased from 51 percent to 27 percent.

Thus, the farmer has had to face ever-increasing costs of crop production and family living, even though his financial ability to meet such increases has remained relatively constant. Income per farm has continued to decline because lower income from farming has outweighed increases in income from nonfarm sources. Today off-farm income accounts for about 60 percent of total farm income.

PRICES RECEIVED AND PAID

Prices received by farmers have increased from 101 (percent of 1977) in 1975 to an estimated 128 in 1985, an increase of 27 percent. During the same period, prices paid by farmers have nearly doubled from 89 (percent of 1977) to 163—an increase nearly four times as great as that for prices received.

Wage rates have nearly doubled since 1975. The cost of tractors and other farm machinery has increased approximately 117 percent during this period. Energy and fuel costs have gone up 140 percent since 1975.

Thus, the farmer has been put in a position where he has had to "sell at wholesale and buy at retail"—a sure road to insolvency and loss of the family farming enterprise. His costs have gone up about 1100 percent since 1945, his investment has gone up almost 1200 percent, yet his price has gone up only 300 percent.

FARM DEBT

Total farm debt reached $212 billion in 1985 and is expected to remain at about the same level for 1986. This is more than double the $91.7 billion farm debt in 1975 and is 20 times the $12.5 billion farm debt in 1950.

Since 1980, the severe drop in land values has reduced total farm equities from $926 billion to $686 billion. This 26 percent decline in net worth has greatly reduced the amount of collateral available to support the huge farm debt now facing farm producers. It has made it increasingly difficult for farmers to borrow the money needed each spring to plant their next annual crop. According to USDA estimates, about 20 percent of all commercial farmers today are finanically distressed, with debt-to-asset ratio greater than 40 percent and with a negative cashflow.

FARM EXPORTS

Exports of U.S. agricultural commodities have declined by over one-third during the past five years, from a high of $43.3 billion in 1981 to $29 billion in 1985 and a projected low of $28 billion in 1986.

By destination, the value of farm exports has decreased since 1981 as follows:

	Percent
Western Europe, Japan and Canada	30
Africa and Latin America	30
Asia (excluding Japan and China)	20
USSR and Eastern Europe	47
China	91

The U.S. share of world trade fell from over 40 percent in 1980 to below 35 percent in 1984. In 1986, it is expected to be at its lowest level since the early 1970's.

The volume of major commodities exported has declined since 1981 as follows:

	Percent
Wheat	34
Corn	31
Cotton	33
Soybeans and products	13

Exports represent an important share of total U.S. production. The export share for major crops has declined since 1980/81 as follows:

[In percent]

	1980/81	1985/86
Wheat	64	39
Feed grains	35	18
Soybeans	56	44
Rice	63	42
Cotton	53	21

Agricultural exports make a major contribution to the U.S. balance of payments, accounting for about one-fifth of total foreign exchange earnings. While the nonagricultural segment of the economy has consistently run large export deficits, agriculture has regularly maintained an export surplus. Since 1960 the trade balance has been as follows:

[In billions of dollars]

	Agriculture	Nonagriculture	Total
1960	+1.0	+4.4	+5.4
1970	+1.5	+1.3	+2.8
1975	+12.6	−2.9	+9.7
1980	+23.9	−51.3	−27.4
1985	+9.4	−152.8	−143.4

ORIGIN OF FARM PROGRAMS

The seeds of the Great Depression of the 1930's were sown in the agricultural depression of the 1920's. Failure to maintain farm exports and to support farm prices following the First World War caused farm income to decline drastically. Soon thereafter, all other segments of the national economy were severely depressed by this loss of purchasing power by the large agriculture sector. Not only was the agricultural industry seriously hurt, but the entire national economy was dragged down by the depression on the country's farms.

Shortly after the end of World War I, the government announced it would no longer support the price of wheat. Wheat, which had brought $2.94 per bushel in Minneapolis in July 1920, dropped to $1.72 in December 1920, and 92 cents a year later. Agricultural prices in general collapsed. Cotton prices fell to a third of the July 1920 price. Corn prices dropped by 62 percent.

As a result of the agricultural crash of 1920–21, about 453,000 farmers lost their farms. Many others remained in serious financial trouble. This, in turn, resulted in local and eventually nationwide failures of banks and many other business concerns. The importance of agriculture to the strength of the national economy was clearly demonstrated. The value of the new wealth taken from the soil as a primer for other business and industrial enterprises became readily apparent.

The farm programs enacted by Congress at that time were created to restore purchasing power of agriculture by providing a domestic support price, by loan or purchase, to maintain a reasonable balance between the income of agriculture, industry and labor. A "parity" plan based on the balance which existed during the period 1909–1914 was established as the means to maintain such a balance.

The Commodity Credit Corporation, a $25 billion wholly-owned Government corporation, was set up to support such a system. The CCC Charter provided the authority and the obligation to support farm prices through commodity loans and purchases at prices which would maintain the proper balance. It also provided the authority for and the obligation to move farm supplies surplus to domestic needs into world trade at competitive prices, with credit arrangements comparable to those provided for nonfarm products.

This approach had the advantage of letting the farmer and his banker know what price levels they could count on when he planted his crop—leaving cost and volume as the only variables. It provided a strong and well-financed mechanism to sell commodities surplus to domestic needs in world trade on a competitive basis. It also enabled the farmer to deal through a Government corporation on an equal basis with other governments, most of which use governmental boards or agencies to market their production.

Another benefit of this system—and a substantial one—was that the price paid to maintain a reasonable balance for the farmer came from the users of his products, who on the domestic level paid at least the support price which assured the farmer of a fair return on his production. In this connection, it should be recognized that a 10-percent increase in farm prices would add less than half-a-cent to the retail price of a 54-cent loaf of bread and only 5 cents to the retail price of a $15.95 cotton shirt.

This farm program proved to be very successful. It provided relatively stable income to the farmer. It helped to preserve the U.S. share of world markets for our farmers, since our competitors knew the U.S. would produce and sell competitively. It provided a very effective means of buying and selling farm commodities at home and abroad, since receipts from sales went back into the CCC revolving fund and were immediately available for additional purchases and sales in the highly competitive markets of the world.

However, in the early 1950's, this tried-and-true program fell into disuse. It then became necessary for Congress to step in and require the use of CCC to move U.S. commodities in world markets at competitive prices. To the surprise of the Secretary, CCC stocks moved into world trade as rapidly as he made them available at competitive prices.

Those who have criticized this type of farm program need only to look at the financial condition of the American farmer today as compared to the earlier period to realize how sound it was and how much we need to return to something similar to meet the present farm crisis.

FAULTY GOVERNMENT POLICIES

The decline in farm exports in recent years has been a major cause of the present financial crisis facing America's farmers. Large supplies of farm commodities have backed up in warehouses and on American farms, depressing farm prices, increasing storage costs and losses from deterioration. As a result, a number of Government programs designed to remove land from production and reduce supplies have been instituted. These efforts have generally hurt rather than helped the producer, and have proved to be very expensive to the Federal Treasury.

For example, the PIK (payment-in-kind) program instituted several years ago reduced rather than increased the income for most farmers. Also, since competitor nations increased their production by the 11 percent that our farmers reduced theirs, it resulted in the loss of 11 percent of our overseas markets, perhaps permanently.

In addition, the use of embargoes on American farm commodities as an instrument of our foreign policy, particularly with regard to our relations with the U.S.S.R. and other Soviet Bloc countries, has seriously hurt American farmers. In effect, this ill-advised policy has placed the cost of financing our foreign policy on the Nation's farmers. During the 1970's and again in 1980, our farmers faced a series of damaging export restrictions.

1973 OILSEED EMBARGO

An embargo was placed on shipments of oilseeds from the United States to all destinations in the summer of 1973. Authority for the embargo stemmed from the Export Administration Act of 1969. Among the commodities affected by the export restrictions were soybeans and cottonseeds. Also limited were shipments of oilseed products including soybean meal, cake, and oil and cottonseed meal, cake, and oil.

1974 EXPORT SALES SUSPENSION

The U.S. government requested private U.S. grain firms to voluntarily restrain sales and the Soviet Union to limit U.S. purchases in response to short U.S. supplies. Commodities affected by the restraints included wheat and corn.

1975 EXPORT SUSPENSIONS

The export restrictions imposed in 1975 were similar to those in 1974. The U.S. Government requested voluntary restraints on sales to the Soviet Union and later to Poland. Commodities affected by the restraints were wheat and coarse grains.

1980 SOVIET EMBARGO

The 1980 embargo was intended to indicate U.S. disapproval of the Soviet invasion of Afghanistan in December 1979. On January 4, 1980, President Carter announced a suspension of sales to the Soviet Union and subsequently instructed appropriate officials to terminate sales under the Export Administration Act of January 7. Agricultural commodities affected by the embargo were exports of wheat, feed grains, soybeans, animal feeds, meat, poultry, dairy products, and some animal fats. Exempt from the restrictions were 8.0 million tons of wheat and corn covered by the U.S.-U.S.S.R. Grain Agreement. The embargo remained in effect until April 24, 1981.

CHANGES ARE NECESSARY

To maintain a prosperous farm economy in the United States and at the same time to be competitive in world trade, this country must adopt a policy of full production at home, increased exports at competitive world prices, and the use of the price support system to cover the U.S. farmer's cost of production plus a reasonable profit. This is the system used by many competitor nations with great success, at the expense of the American farmer.

International pressures, which insist that the U.S. support level be used as the basis for pricing U.S. farm products in world markets, must be disregarded. Competitive countries sell their commodities at the world price and then support income to their farmers through import levies and consumer taxes. The U.S. must use its price support mechanism to enable American farmers to also be competitive in world markets.

As noted earlier, the Commodity Credit Corporation was set up to buy excess farm products and to sell them competitively in domestic and world markets. When used in the past, this system has worked well. It has enabled the American farmer to produce for export markets in addition to domestic markets, and thereby compete in a worldwide agricultural system on an equal basis. It has enabled him to remain on the farm and to share in the national prosperity.

This wholly-owned Government corporation should be redirected and used again for the purposes originally intended. The various alternative plans which have been tried in recent years have not proved successful, although they have been very expensive. The plight of the average American farmer today provides ample evidence of their failure and the need to return to the former tried-and-true price support and competitive export program.

Further, our Government must discontinue the use of embargoes on U.S. farm products as a means of taking punitive action against other nations with whom we may be in disagreement. A study of the embargoes described earlier shows that they had little or no effect on the countries against which directed, although the price paid by the American farmer was very high. Such a study will also reveal that, while the middleman or exporter was compensated by the Government for the losses which he incurred as the result of such embargoes, the farm producer who also suffered severe losses received no such compensating reimbursement.

A Sound Farm Program

To make certain that a farm program will properly meet the needs of the American farmer we must be certain that both volume of production and commodity prices are maintained at proper levels. The loan rates and target prices for the various basic commodities must be set at levels which will enable the producer to receive adequate income at the marketplace to cover his cost of production, plus a reasonable profit for himself and his family. It is far better for the farmer to receive a fair price from the consumer than for him to be forced to look to the Federal Treasury for financial support. In the long run, this is a much better arrangement for all, since a financially healthy farmer can feed and clothe forty other consumers at a reasonable price and still have money left to preserve the soil, water and other basic resources of his land for the future.

The cost of production must come either from the user of the commodity or from the soil. A fair price from the user is preferable!

In carrying out the new Conservation Reserve program authorized by the 1985 Farm Bill, it is essential that sign-up agreements not reduce total production below levels needed to meet domestic needs, maintain the supply line, and provide an adequate supply for export at competitive prices either by the Commodity Credit Corporation or by private traders. It is essential to the future economic health of agriculture and the country that a policy of ample production rather than scarcity be followed, and that the traditional U.S. share of world markets be regained and maintained.

Also, in the interest of continued long-term conservation of the Nation's basic resources, it is essential that the new Conservation Reserve program not be used to replace existing conservation programs. The programs which have been in operation during the past 50 years have served this country well. They should not be discontinued or severely curtailed. The new program should add to, not replace, the existing time-proven programs.

The Committee, with the cooperation of the Congress, has included a provision in the Supplemental Appropriations Act enacted earlier this year (Public Law 99-263) which should accomplish the objectives outlined above.

With the authority contained in the above Act, and with the congressional intent expressed therein, the Secretary of Agriculture should proceed to conduct the conservation programs as intended by Congress. In addition, he should aggressively sell CCC-held commodities in excess of domestic needs in world markets at competitive prices. Also, he should urge his Administration not to use the American farmer to finance U.S. foreign policy by withholding commodities from world markets through embargoes.

FARM STATISTICS

The following USDA tables are included to provide a further perspective on conditions in American agriculture:

NET FARM INCOME

[In billions of dollars]

Item	1975	1980	1981	1982	1983	1984	1985 forecast
Gross income	100.6	149.6	166.0	161.6	150.6	174.0	163–166
Expenses	75.0	129.4	136.1	136.9	135.6	139.5	133–135
Net farm income	25.5	20.2	29.8	24.6	15.0	34.5	29–32

PRICES RECEIVED AND PAID BY FARMERS

[Percent of 1977]

Item	1975	1979	1980	1981	1982	1983	1984	1985 preliminary
Prices received (all commodities)	101	132	134	139	133	134	142	128
Crops	105	116	125	134	121	127	138	120
Livestock products	98	147	144	143	145	141	146	136
Prices paid	89	123	138	150	157	160	164	163
Wage rates	85	117	126	137	144	148	150	152
Machinery [1]	82	122	136	152	165	174	181	178
Energy and fuels	88	137	188	213	210	202	201	201
Fertilizer	120	108	134	144	144	137	143	135

[1] Tractors and self-propelled machinery.

COMPOSITION OF U.S. FARM DEBT

[In billions of dollars]

Item	1970	1975	1980	1981	1982	1983	1984	1985
Farm debt outstanding on January 1:								
Real estate	30.3	49.7	95.8	105.8	110.0	112.6	111.6	107.0
Nonreal estate (excluding CCC loans)	22.3	41.6	81.6	88.3	91.8	92.8	92.2	88.5
CCC loans	1.9	0.4	5.0	8.0	15.4	10.8	8.7	16.1
Total farm debt	54.5	91.7	182.3	202.1	217.2	216.2	212.5	211.6

FARM BALANCE SHEET, INCLUDING DWELLINGS

Item	1970	1975	1980	1981	1982	1983	1984	1985 preliminary
	Billions of dollars							
Assets (January 1)	326.0	576.4	1,108.3	1,111.1	1,082.0	1,061.4	955.8	897.2
Real estate	223.2	418.2	846.6	846.7	808.6	798.8	693.7	638.2
Other	102.8	158.2	261.7	264.4	273.4	263.4	262.1	259.0
Liabilities	54.5	91.7	182.3	202.1	217.2	216.2	212.5	211.6
Real estate	30.3	49.7	95.8	105.8	110.0	112.6	111.6	107.0
Other	24.2	42.0	86.6	96.3	107.2	103.6	100.9	104.6
Equity	271.5	484.7	926.0	909.0	864.8	845.1	743.3	685.6
	Dollars							
Nominal equity per farm	92.1	192.3	380.6	373.5	360.2	356.6	318.6	300.1
Real equity per farm [1]	100.7	152.9	213.3	191.0	173.7	165.6	142.6	129.7

[1] Deflated by the GNP implicit deflator for the previous year.

AGRICULTURAL, NONAGRICULTURAL AND TOTAL TRADE BALANCES, CALENDAR YEARS

[In billions of dollars]

Item	1950	1960	1970	1975	1980	1981	1982	1983	1984	1985 preliminary
Agricultural:										
Exports	2.9	4.8	7.3	21.9	41.2	43.3	36.6	36.1	37.8	29.0
Imports	4.0	3.8	5.8	9.3	17.4	16.8	15.2	16.5	19.3	19.6
Balance:										
Agricultural	−1.1	+1.0	+1.5	+12.6	+23.9	+26.6	+21.2	+19.6	+18.5	+9.4
Nonagricultural	+2.5	+4.4	+1.3	−2.9	−51.3	−56.6	−56.4	−80.3	−129.4	−152.8
Total trade	+1.4	+5.4	+2.8	+9.7	−27.4	−30.0	−35.2	−60.7	−110.9	−143.4

TITLE I—AGRICULTURAL PROGRAMS

PRODUCTION, PROCESSING AND MARKETING

OFFICE OF THE SECRETARY

1986 appropriation	$1,648,000
1987 budget estimate	[1] 1,790,000
Recommended in the bill	1,648,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−142,000

[1] The 1987 budget proposed that each Under and Assistant Secretary be funded in a single account.

The Secretary of Agriculture, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This includes developing policy, maintaining relationships with agricultural organizations and others in the development of farm programs, and maintaining liaison with the Executive Office of the President and Members of Congress on all matters pertaining to agricultural policy.

The general authority of the Secretary to supervise and control the work of the Department is contained in the Organic Act (7 U.S.C. 2201-2202). The delegation of regulatory functions to Department employees and authorization of appropriations to carry out these functions is contained in 7 U.S.C. 450c–450g.

COMMITTEE RECOMMENDATIONS

For the Office of the Secretary the Committee recommends an appropriation of $1,648,000, the same as the fiscal year 1986 adjusted amount and a decrease of $142,000 below the budget request.

The Committee rejects the proposal to fund all Under and Assistant Secretaries of the Department in the Office of the Secretary.

None of the funds in this Act should be used to pay the salary of any person or persons who alter, change, limit, restrict, countermand or in any way modify any written regulation, policy or procedure by oral communication. Any such actions should be by formal written change in regulations.

Other than transfers specifically provided for in this Act, none of the funds in this Act should be transferred between accounts without written notice to the Committee in advance.

NEW QUARANTINE TECHNOLOGIES

For the past three years, the Committee has required the Secretary to maintain a task force to report on the development of new technologies to replace ethylene dibromide (EDB). In addition to reporting on research developments on new quarantine technologies and improved methods of control and eradication of fruit flies, the task force should report on steps it has taken which will permit farmers and food processors to utilize the recently approved irradiation treatment. This report is to be forwarded to the Committee by February 15, 1987.

EMERGENCY FEED

In many sections of the country farmers have suffered serious losses to their crops because of drought and are unable to obtain the feed needed for their livestock. The Department is currently operating the emergency feed assistance program which provides grain out of CCC inventory which the farmer must purchase at 75 percent of the loan rate. Only grain is available under the emergency feed assistance program, often at considerable distance from the farm and often not the type of feed needed by the farmer. The Secretary, under law, has authority to use the emergency feed program which would allow farmers to purchase feed with the Department sharing up to 50 percent of the cost. The Committee will expect the Department to make available the emergency feed program in those cases where appropriate in order that farmers will have the type of feed available that they need.

GRAIN STORAGE

The Committee understands that the Secretary can under Section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)) make loans to grain growers needing storage facilities and has other various means at his disposal to reduce the expected grain storage shortage for the 1986 crop year. The Committee will expect the Secretary to use all powers available by law to solve the current grain storage problem as swiftly as possible.

CITRUS CANKER

The Committee is aware that the Florida State Legislature has appropriated $6.4 million for the survey and eradication of citrus canker. The Committee is also aware that a more virulent strain of citrus canker recently has been identified on the west coast of Florida. Therefore, the Committee will expect that the Secretary use his emergency authority to transfer funds from the Commodity Credit Corporation to provide for the Department's 50/50 matching share of the existing citrus canker survey and eradication program with the State of Florida.

OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION

1986 appropriation	$455,000
1987 budget estimate	[1] 495,000
Recommended in the bill	455,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−40,000

[1] The 1987 budget proposed that each Under and Assistant Secretary be funded in a single account in Office of the Secretary.

The Office of the Assistant Secretary for Administration directs and coordinates the work of the departmental staff in carrying out the laws enacted by the Congress relating to accounting functions, real and personal property management, automated data processing, personnel management, development and dissemination of Departmental Information Resources Management and other general administrative functions. In addition, the Office of the Assistant Secretary is responsible for all activities financed under the Department Working Capital Fund (7 U.S.C. 2235).

COMMITTEE RECOMMENDATIONS

For the Office of the Assistant Secretary for Administration the Committee recommends an appropriation of $455,000, the same as the fiscal year 1986 adjusted amount and a decrease of $40,000 below the budget request.

RENTAL PAYMENTS (USDA)

1986 appropriation	$48,728,000
1987 budget estimate	57,380,000
Recommended in the bill	48,728,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−8,652,000

Annual appropriations are made to agencies of the Federal Government so that they can pay the General Services Administration fees for rental of space and for related services.

The budget estimates for rental payments are based on GSA's projection of what it will bill agencies in the budget year. The agencies have no influence or control over how GSA sets their rates. Rental payments paid by agencies go into a fund to be used for other real property management operations, such as rental of buildings, repairs and alterations, and acquisition of new facilities. The concept behind rental payments is that all agencies pay the market value of the space they occupy, so that GSA will have the funds available to provide, in an efficient and coordinated way, for overall Federal space needs. However, in practice this concept means that agencies are paying prevailing commercial rental rates in order to subsidize the inflated cost of new construction and newly leased space, and to provide entirely for vacant space in GSA's inventory.

COMMITTEE RECOMMENDATIONS

For rental payments, USDA, the Committee recommends an appropriation of $48,728,000, the same as the fiscal year 1986 adjusted amount and a decrease of $8,652,000 below the budget request.

Disallowance of substantial increases for rental payments, coupled with a general provision prohibiting rental payments in excess of the amount specified, is consistent with overall budgeting priorities during this time of severe financial deficits. The Committee recommends that in relation to the Sequestration Order for fiscal year 1986, GSA review its policy for rental charges. While agencies suffered the loss of appropriated funds, GSA did not reduce its rental charges accordingly. Since many agencies are occupying space in government owned buildings, the Committee believes that GSA should reduce its charges for government owned space by 4.3

percent which is consistent with the reduction made by the Sequestration Order of P.L. 99-177.

The Committee again recommends language permitting the Secretary of Agriculture to transfer a share of this appropriation to or from an agency's appropriation. The Committee will expect that such a transfer will be proposed only when a move into GSA rental space becomes necessary during the year, or when GSA space is vacated in favor of commercial space. This flexibility is provided to allow for incremental changes in the amount of GSA space, and is not intended merely to finance changes in GSA billings.

BUILDING OPERATIONS AND MAINTENANCE

1986 appropriation	$16,932,000
1987 budget estimate	18,800,000
Recommended in the bill	18,039,000
Comparison:	
1986 appropriation	+1,107,000
1987 budget estimate	−761,000

As of October 1, 1984, GSA delegated authority to USDA for operation, maintenance, repair and minor improvements of the USDA downtown D.C. building complex, which encompasses 14.1 acres of ground and five buildings containing three million square feet of space occupied by over 10,000 employees. This activity provides departmental staff and support services to operate, maintain and repair the five buildings in the D.C. complex. GSA retains responsibility for major nonrecurring repairs.

COMMITTEE RECOMMENDATIONS

For building operations and maintenance the Committee recommends an appropriation of $18,039,000, an increase of $1,107,000 above the fiscal year 1986 adjusted amount and a decrease of $761,000 below the budget request.

The Committee continues to believe it is appropriate to separate building operations and maintenance of the D.C. complex in order to provide better accounting of expenditures. Although the Committee recommends a significant increase over the fiscal year 1986 amount, it will still fall short of altering the major backlog of repairs and alterations that are left as a result of years of deferring needed action. The Committee hopes to continue to provide funds to help protect a capital investment valued at $300,000,000.

ADVISORY COMMITTEES

1986 appropriation	$1,258,000
1987 budget estimate	1,323,000
Recommended in the bill	1,358,000
Comparison:	
1986 appropriation	+100,000
1987 budget estimate	+35,000

The Department of Agriculture utilizes advisory committees to obtain expertise which is not feasible to maintain on the permanent staff. Because of the broad range of missions performed by the Department and the complexity of skills needed in this performance from time to time, it is essential to call upon experts in academia and the private sector to supplement the expertise of departmental employees in order to assure that decisions on major national issues are based upon state-of-the-art information.

The following table displays advisory committees which currently exist. The Department plans to continue activities of the same committees in fiscal year 1987.

ADVISORY COMMITTEES (EXCLUDING FOREST SERVICE)

Policy area and committee title	1987 estimated	
	Membership	Funds
Food and consumer services:		
National Advisory Council on Child Nutrition		(1)
National Advisory Council on Maternal, Infant and Fetal Nutrition		(2)
Joint Nutrition Monitoring Evaluation Committee		
Total		
Science and education:		
National Agricultural Research and Extension Users Advisory Board	25	205,000
Soybean Research Advisory Institute		
National Arboretum Advisory Council	16	11,670
Human Nutrition Board of Scientific Counselors	17	36,470
National Plant Genetic Resources Board	19	20,319
Policy Advisory Committee for the Science and Education Research Grants Program	17	18,900
Animal Health Science Research Advisory Board	12	17,200
Cooperative Forestry Research Advisory Council	16	41,200
Rangeland Research Advisory Board		
Technical Advisory Committee for Science and Education Grants Program		356,980
Committee of Nine	9	30,500
Total	131	738,239
Marketing and inspection services:		
Grain Standards Act Advisory Committee	12	51,694
National Advisory Committee on Meat and Poultry Inspection	21	25,597
Advisory Committee on Foreign Animal and Poultry Diseases	20	27,989
Advisory Committee on Swine Health Protection	20	13,800
General Conference Committee of the National Poultry Improvement Plan	10	7,000
Advisory Committee on Instruments and Standards for Cotton	14	26,285
Plant Variety Protection Board	17	6,551
Total	114	158,916
International affairs and commodity programs:		
Agricultural Policy Advisory Committee for Trade	51	14,000
Technical Advisory Committee for Trade in Cotton	13	13,000
Technical Advisory Committee for Trade in Fruits and Vegetables	27	13,000
Technical Advisory Committee for Trade in Grain and Feed	20	14,000
Technical Advisory Committee for Trade in Livestock and Livestock Products	22	14,000
Technical Advisory Committee for Trade in Oilseeds and Products	15	13,000
Technical Advisory Committee for Trade in Poultry and Eggs	15	13,000
Technical Advisory Committee for Trade in Tobacco	13	13,000
Technical Advisory Committee for Trade in Dairy Products	18	13,000
Agribusiness Promotion Council	30	14,000
Agricultural Export Enhancement Advisory Group	8	10,000
Total	232	144,000
Small community and rural development: National Advisory Council on Rural Development	58	85,600
Economics: National Agricultural Cost of Production Standards Review Board	46	30,000
Departmental administration:		
Citizen's Advisory Committee on Equal Employment	24	66,245
New Requirements and Contingencies		100,000
Total, advisory committees	605	1,323,000

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[1] The Department is recommending repeal of the sections of the National Lunch Act that provide authority for this committee.

[2] The Department is recommending repeal of the section of the Child Nutrition Act of 1966, as amended, that provides authority for this committee.

COMMITTEE RECOMMENDATIONS

For advisory committees for the Department of Agriculture the Committee recommends an appropriation of $1,358,000, an increase of $100,000 above the fiscal year 1986 adjusted amount and an increase of $35,000 above the budget request.

The Committee has provided a general increase in funds to accommodate the additional advisory committees authorized by the Food Security Act of 1985. The Committee also expects that the explanatory notes for the fiscal year 1988 budget request will provide detailed information about the work being performed by the Department's advisory committees, including a report on actual expenditures for each committee, as well as a detailed record of meetings held, attendance and accomplishment data.

DEPARTMENTAL ADMINISTRATION

1986 appropriation	$21,251,000
1987 budget estimate	21,920,000
Recommended in the bill	21,180,000
Comparison:	
1986 appropriation	−71,000
1987 budget estimate	−740,000

This appropriation provides funding for the following activities:

Budget and program analysis.—This activity provides direction and administration of all matters related to the Department's budgetary affairs including all phases of acquisition, distribution and control of funds; evaluation of program and legislative proposals for budgetary, financial and related implications; development of comprehensive long-range program plans; and administration of the Department's operations and review and analysis programs.

Personnel.—This activity covers general direction, leadership and coordination of the personnel management program of the Department, implementation of civil service reform provisions, issuance of departmental policies and procedures, and coordination of a review program to evaluate the effectiveness of agency personnel programs.

Finance and Management.—This activity provides departmental leadership, development and evaluation of programs in finance, accounting, Federal assistance, occupational safety and health, and productivity and management improvements. The director serves as the Department's finance officer, management improvement officer, and comptroller of the Working Capital Fund. Finance and management also provides budget, accounting and fiscal services for departmental staff offices and the Office of the Secretary.

Operations.—This activity provides staff and support services in the management of real and personal property, procurement, contracts, supplies, motor vehicles and internal energy conservation.

Information Resources Management.—This activity designs, implements and revises systems, processes, work methods and techniques to improve the management of information resources and the operational effectiveness of USDA. This activity also provides telecommunications and ADP services to USDA agencies and staff offices, including the Washington Computer Center, Fort Collins Computer Center, and the Kansas City Computer Center.

Advocacy and Enterprise.—This activity provides leadership, and coordination for the Department's programs for Equal Opportunity and Civil Rights; implementation and administration of sections 8 and 15 of the Small Business Act; direction of departmental efforts to further the participation of minority colleges and universities in USDA programs; and direction and monitoring of compliance in promoting full and open competition in procurement.

Administrative Law Judges and Judicial Officer.—The Administrative Law Judges hold rule-making and adjudicatory hearings and issue initial decisions and orders, and the Judicial Officer serves as final deciding officer in regulatory proceedings.

COMMITTEE RECOMMENDATIONS

For Departmental Administration the Committee recommends an appropriation of $21,180,000, a decrease of $71,000 below the fiscal year 1986 adjusted amount and a decrease of $740,000 below the budget request.

The Committee directs that the explanatory notes submitted to the Appropriations Committees as justification of appropriation estimates will continue to be based on current law. The Committee takes note that the official budget estimate for fiscal year 1987 excluded more than $775,000,000 which would be required to carry out existing programs under current law.

The Committee disallowed management savings to the Offices of Budget and Program Analysis and Finance and Management. With the passage of P.L. 99-177, the Deficit Reduction Act, the workload increase to budget and finance offices has increased significantly. Accordingly, the Committee believes reductions to these offices would be untimely.

The Committee concurred in proposed program changes for the Offices of Personnel, Operations, Information Resources and Advocacy and Enterprise. The same amount as the fiscal year 1986 adjusted amount was allocated for the Office of Administrative Law Judges and Judicial Officer.

This appropriation includes the adjusted amount to fund the activities formerly financed on a reimbursable basis by USDA agencies. These activities include SES Candidate Development, Upward Mobility Program. Honor Awards Program, Administration of Employee Appeals and EEO Complaints Investigations, Ethics in Government, Central Job Information Center, USDA Vacancy Announcements, Performance Appraisals, Safety and Health Services, Personnel Management Information System, Emergency Preparedness, Personnel Management Evaluation Questionnaires, and Cost Management Services. The Committee expects that no other charges will be made to agencies of the Department for these activities.

COMPARISON WITH FISCAL YEAR 1986

All comparisons in this report are based on the amount appropriated in H.R. 3037 minus the Administration's reduction of sixtenths of one percent and minus the Sequestration Order of 4.3 percent adjusted for any transfers to or from accounts.

WORKING CAPITAL FUND

1986 appropriation	$5,964,000
1987 budget estimate	6,000,000
Recommended in the bill	5,708,000
Comparison:	
1986 appropriation	−256,000
1987 budget estimate	−292,000

The Working Capital Fund was established by an appropriation in the 1944 Appropriations Act. It was created for central duplication, photographic, and tabulating services; a central motor transport service for the maintenance, repair and operation of motor transport vehicles and other equipment; and a central supply service for the purchase, storage, handling, issuance, packing, or shipping of various stationery, supplies and forms, and such other services that might be performed more advantageously as central services.

COMMITTEE RECOMMENDATIONS

For additional capital for the Working Capital Fund the Committee recommends an appropriation of $5,708,000, a decrease of $256,000 below the fiscal year 1986 adjusted amount and a decrease of $292,000 below the budget request. Since this is a direct appropriation to the Working Capital Fund, the Committee assigned the same percentage reduction as the Sequestration Order of Public Law 99-177.

In addition, the Committee recommends retaining General Provision 607 which permits the accumulation of growth capital not to exceed $2,000,000, and which provides that no funds appropriated to an agency shall be transferred to the Working Capital Fund without the approval of the agency administrator. The Committee also recommends a proviso that no more than $40,999,000 shall be charged against the Working Capital Fund for personnel compensation and benefits.

OFFICE OF THE ASSISTANT SECRETARY FOR GOVERNMENTAL AND PUBLIC AFFAIRS

1986 appropriation	$318,000
1987 budget estimate	[1](345,000)
Recommended in the bill	318,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−27,000

[1] The 1987 budget proposed for this activity to be funded in a single account in the Office of the Secretary.

The Office of the Assistant Secretary for Governmental and Public Affairs provides coordination of programs involving governmental and public affairs and emergency preparedness.

COMMITTEE RECOMMENDATIONS

For the Office of the Assistant Secretary for Governmental and Public Affairs the Committee recommends an appropriation of

$318,000, the same as the fiscal year 1986 adjusted amount and a decrease of $27,000 below the budget request.

GOVERNMENT AND PUBLIC AFFAIRS

1986 appropriation	$7,407,000
1987 budget estimate	7,624,000
Recommended in the bill	7,293,000
Comparison:	
1986 appropriation	−114,000
1987 budget estimate	−331,000

The Public Affairs Office provides direction, leadership and balance in the development and delivery of useful information through all media to the public on USDA programs.

COMMITTEE RECOMMENDATIONS

For the Public Affairs Office the Committee recommends an appropriation of $7,293,000, a decrease of $114,000 below the fiscal year 1986 adjusted amount and a decrease of $331,000 below the budget request. The recommended level includes not less than $856,000 for the Yearbook of Agriculture. The amount recommended is comparable to a like amount for fiscal year 1986 that reflects a transfer of $984,000 from USDA agencies to fund activities that had previously been financed on a reimbursable basis. The Committee also agrees with a management savings of $72,000.

This appropriation includes the adjusted amount to fund activities formerly financed on a reimbursable basis by USDA agencies. These activities include USDA Newsletter, Consolidated Orders, Visitor Information Center, Television Production, Dialcom, Public Liaison Activities, Photographic Center Support and Photocomposition Unit.

LEGISLATIVE LIAISON

1986 appropriation	$471,000
1987 budget estimate	486,000
Recommended in the bill	465,000
Comparison:	
1986 appropriation	−6,000
1987 budget estimate	−21,000

The Legislative Liaison Office maintains liaison with the U.S. Congress and the White House on legislative matters of concern to the Department and exercises responsibility for the coordination of all congressional matters except congressional appropriations.

COMMITTEE RECOMMENDATIONS

For the Legislative Liaison Office the Committee recommends an appropriation of $465,000, a decrease of $6,000 below the fiscal year 1986 adjusted amount and a decrease of $21,000 below the budget request.

INTERGOVERNMENTAL AFFAIRS

1986 appropriation	$444,000
1987 budget estimate	460,000
Recommended in the bill	440,000

Comparison:	
1986 appropriation	−4,000
1987 budget estimate	−20,000

The Intergovernmental Affairs Office directs and coordinates all programs involving the implementation of USDA policies and procedures applicable to the Department's intra and intergovernmental relations, defense program, and emergency preparedness program.

COMMITTEE RECOMMENDATIONS

For the Office of Intergovernmental Affairs the Committee recommends an appropriation of $440,000, a decrease of $4,000 below the fiscal year 1986 adjusted amount and a decrease of $20,000 below the budget request.

OFFICE OF THE INSPECTOR GENERAL

	Adjusted appropriation	Transfer from Food Stamp Program	Total
1986 appropriation	$28,537,000	($15,924,000)	($44,461,000)
1987 budget estimate	46,321,000	(..................)	46,321,000
Recommended in the bill			44,461,000
Comparison:			
1986 appropriation		(−15,924,000)	
1987 budget estimate			−1,860,000

The Office of the Inspector General was established by law October 12, 1978, by the Inspector General Act of 1979. This reaffirmed and expanded the Office established by Secretary's Memorandum No. 1915, dated March 23, 1977.

The Office is directed by an Inspector General who reports directly to the Secretary of Agriculture. Functions and responsibilities of this Office include direction or control of audit and investigative activities within the Department, formulation of audit and investigative policies and procedures regarding Department programs and operations, analysis and coordination of program-related audit and investigation activities performed by other Department agencies, review of existing and proposed legislation and regulations regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations and the prevention and detection of fraud and abuse in such programs, promulgation of policies and procedures for security of Department facilities, and provision for physical protection of the Secretary. The activities of this Office are designed to assure compliance with existing laws, policies, regulations and programs of the Department's agencies, and to provide appropriate officials with the means for prompt corrective action where deviations have occurred. The scope of audit and investigative activities is large and includes administrative, program and criminal matters. These activities are coordinated, when appropriate, with various audit and investigative agencies of the Executive and Legislative Branches of the Government.

COMMITTEE RECOMMENDATIONS

For the Office of the Inspector General the Committee recommends an appropriation of $44,461,000, the same as the fiscal year 1986 adjusted amount and $1,860,000 below the budget request.

In light of the Administration's projections for the Nation's economy and unemployment for fiscal year 1987, the Committee requests that the Inspector General pay particular attention to the food stamp program. Since these projections reflect a significant decrease in food stamp participants and a corresponding decrease in funds for the program, the Inspector General should do what he can to assure that the program's benefits go to those who are actually qualified to receive them.

OFFICE OF THE GENERAL COUNSEL

	Adjusted appropriation	Transfer from Food Stamp Program	Total
1986 appropriation	$16,124,000	($786,000)	($16,910,000)
1987 budget estimate	17,430,000	(............)	17,430,000
Recommended in the bill	16,832,000		16,832,000
Comparison:			
1986 appropriation	+1,306,000	(−786,000)	−78,000
1987 budget estimate	−598,000		−598,000

The Office of the General Counsel, originally known as the Office of the Solicitor, was established in 1910 as the law office of the Department of Agriculture, and performs all of the legal work arising from the activities of the Department. The General Counsel represents the Department on administrative proceedings for the promulgation of rules and regulations having the force and effect of law and in quasi-judicial hearings held in connection with the administration of various programs and acts; and in proceedings before the Interstate Commerce Commission involving freight rates and practices relating to farm commodities, including appeals from the decisions of the Commission to the courts. Counsel serves as General Counsel for the Commodity Credit Corporation and the Federal Crop Insurance Corporation, and reviews criminal cases arising under the programs of the Department for referral to the Department of Justice.

COMMITTEE RECOMMENDATIONS

For the Office of the General Counsel the Committee recommends an appropriation of $16,832,000, which is $78,000 less than the fiscal year 1986 adjusted amount and $598,000 below the budget request. Included within the amount recommended are funds to maintain the OGC field offices that were originally opened in 1984 and funded under a reimbursable agreement with the Farmers Home Administration.

OFFICE OF THE ASSISTANT SECRETARY FOR ECONOMICS

1986 appropriation	$448,000
1987 budget estimate	[1] (485,000)

Recommended in the bill	448,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−37,000

[1] The 1987 budget proposed for this activity to be funded in a single account in Office of the Secretary.

The Office of the Assistant Secretary for Economics provides direction and coordination in carrying out the laws enacted by the Congress in the area of economics, statistics, and other social sciences research, analysis and information related to food, agriculture, and rural resources. The Office has oversight and management responsibilities for the Statistical Reporting Service, Economic Research Service, World Agricultural Outlook Board, Economic Analysis Staff, Economic Management Staff and the Office of Energy.

COMMITTEE RECOMMENDATIONS

For the Office of the Assistant Secretary for Economics the Committee recommends an appropriation of $448,000, the same as the fiscal year 1986 adjusted amount and a decrease of $37,000 below the budget request.

ECONOMIC RESEARCH SERVICE

1986 appropriation	$43,982,000
1987 budget estimate	45,475,000
Recommended in the bill	43,982,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−1,493,000

The Economic Research Service develops and carries out a program of economic research designed to benefit farmers and the general public. The findings of this research are made available to farmers and others through research reports and through economic outlook and situation reports on major commodities, the national economy, and the international economy.

COMMITTEE RECOMMENDATIONS

For the Economic Research Service the Committee recommends an appropriation of $43,982,000, the same as the fiscal year 1986 adjusted amount and a decrease of $1,493,000 below the budget request. The reduction of $483,000 is the amount the agency proposed as a general reduction. Within the funds available, the agency is expected to conduct a study to update existing information relative to honey production, pollination and the relationship of the beekeeping industry to other segments of agriculture and the environment.

STATISTICAL REPORTING SERVICE

1986 appropriation	$56,137,000
1987 budget estimate	59,712,000
Recommended in the bill	56,787,000
Comparison:	
1986 appropriation	+650,000
1987 budget estimate	−2,925,000

The Statistical Reporting Service was created to give coordinated leadership to the statistical reporting, research and service programs of the Department. It provides a channel for the orderly flow of statistical intelligence about the agricultural economy of this country. The primary responsibilities of this Service are the national and State crop and livestock estimates and coordination and improvement in the Department's statistical requirements.

COMMITTEE RECOMMENDATIONS

For the Statistical Reporting Service the Committee recommends an appropriation of $56,787,000, an increase of $650,000 above the fiscal year 1986 adjusted amount and $2,925,000 below the budget request. The recommended increase includes $450,000 for crop data improvement, $150,000 for improved crop reporting board procedures, and $100,000 for the honey production report required by the Commodity Credit Corporation to operate the price support program. The Committee recommends a reduction of $50,000 in studies on prices paid for building materials and marketing containers. The Committee recommendation also does not include the $503,000 requested for increased operating costs. The Committee's recommendation includes funds for the horticultural specialties census.

WORLD AGRICULTURAL OUTLOOK BOARD

1986 appropriation	$1,591,000
1987 budget estimate	1,680,000
Recommended in the bill	1,608,000
Comparison:	
1986 appropriation	+17,000
1987 budget estimate	−72,000

The World Agricultural Outlook Board was created by the Secretary of Agriculture on June 3, 1977, under the authority of Reorganization Plan No. 2 of 1953. The Board serves as the single focal point for the Nation's economic intelligence related to domestic and international food and agriculture with the responsibility for coordinating and reviewing for clearance all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department of Agriculture. The Board's primary objective is to improve the consistency, objectivity and reliability of outlook and situation material being disseminated to the public.

The Board's functions include information dissemination; market surveillance; coordination of international and domestic agricultural development; coordination of weather, climate and remote sensing research; and forecasting techniques.

COMMITTEE RECOMMENDATIONS

For the World Agricultural Outlook Board the Committee recommends an appropriation of $1,608,000, an increase of $17,000 above the fiscal year 1986 adjusted amount and a decrease of $72,000 below the budget request.

Office of the Assistant Secretary for Science and Education

1986 appropriation	$350,000
1987 budget estimate	[1] (380,000)
Recommended in the bill	350,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−30,000

[1] The 1987 budget proposed for this activity to be funded in a single account in Office of the Secretary.

The Office of the Assistant Secretary for Science and Education provides direction and coordination in carrying out the laws enacted by the Congress for food and agricultural research, extension and teaching efforts. The Office has oversight and management responsibilities for the Agricultural Research Service, Extension Service, Cooperative State Research Service, National Agricultural Library, and the Office of Grants and Program Systems.

COMMITTEE RECOMMENDATIONS

For the Office of the Assistant Secretary for Science and Education the Committee recommends an appropriation of $350,000, the same as the fiscal year 1986 adjusted amount and a decrease of $30,000 below the budget request.

Agricultural Research Service

1986 appropriation	$478,080,000
1987 budget estimate	513,053,000
Recommended in the bill	498,748,000
Comparison:	
1986 appropriation	+20,668,000
1987 budget estimate	−14,305,000

The Agricultural Research Service was established by the Secretary of Agriculture on November 2, 1953, under the authority of the Reorganization Act of 1949 (5 U.S.C. 133z-15), Reorganization Plan No. 2 of 1953, and other authorities. It conducts basic and applied research in the fields of livestock, plant sciences, entomology, soil and water conservation, agricultural engineering utilization and development, nutrition and consumer use, marketing, and development of methods to eradicate narcotic-producing plants.

The Service also directs research beneficial to the United States which can be advantageously conducted in foreign countries through agreements with foreign research institutions and universities, using foreign currencies for such purposes. This program is carried out under the authority of sections 104(b) (1) and (3) of Public Law 480, and the Agricultural Trade Development and Assistance Act of 1954, as amended.

COMMITTEE RECOMMENDATIONS

Salaries and Expenses.—For salaries and expenses of the Agricultural Research Service the Committee recommends $498,748,000, an increase of $20,668,000 above the fiscal year 1986 adjusted amount and a decrease of $14,305,000 below the budget request. The reduction below the budget request results primarily from the adjustment of the fiscal year 1986 base to reflect Gramm-Rudman-Hollings.

Food Toxicology.—The Committee recommends $190,000 for the continued assessment of dioxin contamination in the Great Lakes food chain and the agricultural production system.

Integrated Production Research.—For the South Central Agricultural Research Center at Lane, Oklahoma, the Committee recommends $739,200, the same as the budget request. These additional funds will be coordinated with the expansion of the Center.

Tracheal and Varroa Mites.—The Committee continues to feel that research on the tracheal and varroa mites is high priority research of great importance to the bee industry. The Committee will expect the Department to devote the necessary resources to this field of research. The Committee will also expect adequate resources to be directed to pesticide research which is also a priority research field for the beekeeping industry.

Nutrition Research.—The Committee recommends an increase of $1,000,000 above the budget request for the USDA Human Nutrition Research Center on Aging at Tufts University. This Center was opened in November 1982. The additional funds will be used to expand the use of this facility.

The Committee also recommends an increase of $1,000,000 above the budget request for the USDA Children's Nutrition Research Center at Baylor College of Medicine. These additional funds will be used to expand the work now underway at this facility.

To expand the work underway at the other nutrition research facilities the Committee recommends the following increases: Beltsville—$250,000, Grand Forks—$250,000, and the Western Research Center—$500,000.

The Committee recognizes that the Human Nutrition Research Centers can play a major role in the training of students in the field of nutrition research. To the extent practicable, the Centers should support nutrition and health sciences graduate student research and education programs with their resources and facilities.

The Committee is also aware of proposals to establish additional Human Nutrition Research Centers. The Committee will expect the Department to carefully review these proposals and report to the Committee as to the contributions additional Centers might make in the field of nutrition research.

National Arboretum.—For the research program at the National Arboretum the Committee recommends $3,583,000, the full amount of the budget request. The Committee will expect to be kept fully advised of all developments affecting the National Arboretum.

Fruit Research.—The Committee is aware of the very important work carried out on fruit research at Wenatchee and Yakima in the State of Washington. Oregon and Idaho have annual fruit sales of nearly one billion dollars. The Committee will expect the Department to give increased attention to the important work carried out at these two facilities.

Beltsville Research Center.—To accelerate the program known as "Renaissance 93" to upgrade the Beltsville Research Center the Committee recommends an increase of $1,000,000 above the budget request. The Committee will also continue to expect to be kept fully advised as the Department works to restore and upgrade the Beltsville Agricultural Research Center.

Rhizomania Research.—The Committee recommends an increase of $250,000 for increased research on rhizomania, a disease which represents a very serious threat to the sugar beet industry. Rhizomania was found in California, in 1983. In 1984 it had spread to 6,000 acres and in 1985 to 23,000 acres. At present, there is no known way to eliminate the fungus from soil once established.

High Containment Facility.—Both Newcastle disease and avian influenza are a continuing serious threat to the U.S. poultry industry. A high containment facility is essential for research on these two viruses. Because of the danger to the U.S. poultry industry, research on these types of viruses can only be done in facilities that meet high containment requirements. Therefore, the Committee will expect the Department to use existing funds to conduct a feasibility study on establishing a high containment facility in connection with the poultry research laboratory at Mississippi State University.

Scientific Consultations.—The Committee again recommends that up to $200,000 be transferred to the Office of the Assistant Secretary for Science and Education from ARS for the Department to participate in international scientific consultations on issues involving agricultural chemicals and food additives as they impact trade in agricultural products. The Committee expects that other appropriate departments and agencies of the U.S. Government, such as the Food and Drug Administration and the Environmental Protection Agency, would participate in the consultations.

Potato Scab Research.—The Committee recommends $50,000 to accelerate research on the potato scab. The Committee expects that this research will be coordinated with the regional potato research funded by the Cooperative State Research Service.

Agricultural Research and Development Consortium.—The Committee recommends $2,000,000 for a grant to be used to establish an R&D cooperative agreement among the Agricultural Research and Development Consortium, the USDA Northern Regional Research Center, the Biotechnology Center at the University of Illinois, and at least 15 private companies involved in agricultural R&D for the purpose of furthering the commercialization of agricultural related products. In addition to the $2,000,000 Federal grant, State and private companies will provide matching financial support, if not exceeding the Federal share.

Animal Disease Diagnostic Laboratory.—The Committee will expect the Department to develop a cooperative agreement with the Animal Disease Diagnostic Laboratory at Stillwater, Oklahoma, to provide access by the laboratory to a USDA gas chromatograph/mass spectrophotometer.

Muscadine Grapes.—The Committee has closely followed efforts to develop a muscadine grape industry. In order to provide support for this new industry, the Committee recommends $250,000 to provide the research necessary to support this new industry.

National Sedimentation Laboratory.—The Committee recommends an increase of $250,000 to expand the work now underway at the National Sedimentation Laboratory on the Yazoo Basin demonstration project, a cooperative effort between the Soil Conservation Service, U.S. Army Corps of Engineers, and the Agricultural Research Service.

Wheat Research.—The Committee has been advised of an immediate problem with dwarf bunt on certain wheat varieties in Michigan. Bunt research at other locations does not appear to have specific applicability to the varieties grown in Michigan, with particular emphasis on the tilletia controversia organism. Included in the appropriation for wheat variety research is an increase of $50,000 for efforts to eliminate dwarf bunt in Michigan wheat.

Additionally, there is concern regarding the decreasing protein levels in eastern soft wheat. Research is needed on the quality and quantity of protein in product evaluation in cooperation with the Eastern Soft Wheat Quality Laboratory. Included in the bill is an increase of $19,000 for the beginning of a cooperative effort at this institution in connection with milling, flour, dough and baking tests at Michigan State University.

Tishomingo Fish Hatchery.—The Committee recommends an increase of $100,000 to expand the ongoing aquaculture research project at the Tishomingo, Oklahoma Fish Hatchery. This project is a cooperative effort between the U.S. Fish and Wildlife Service and ARS.

Specific Long-term Goals.—The Committee notes that there is concern regarding the ability of research agencies to address a specific long-term research goal, for example, increasing the volume of exports of a certain commodity by a specified date. The Agricultural Research Service is expected to advise the Committee prior to the fiscal 1988 appropriation hearings of the feasibility of assembling a team to identify the problems impacting research, technology, technology transfer, economics, and such other factors as might reasonably be involved in conducting objective-oriented research. The role of all appropriate agencies of the Department of Agriculture, other Federal Departments, and the private sector should be addressed in this report. Comments from these other interested parties should be solicited by the agency.

External Combustion Engine.—The Committee continues to be deeply concerned about continuing basic research to reduce production costs in agriculture and directs the Department to renew its consideration of establishing and carrying out a research and development program on external combustion engines under section 4(m) of the Commodity Credit Corporation Charter Act, as amended by the Food Security Improvements Act of 1986 (Public Law 99-260, approved March 20, 1986). The Committee expects the Department to report to the Committee its progress to date in obtaining proposals for carrying out this research.

BUILDINGS AND FACILITIES

1986 appropriation	$6,041,000
1987 budget estimate	....
Recommended in the bill	35,500,000
Comparison:	
1986 appropriation	+29,459,000
1987 budget estimate	+35,500,000

The buildings and facilities account is established for the acquisition of land, construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities which directly or indirectly support research and extension programs of the Department. Routine construction or replacement items would continue to be funded under the limitations contained in the regular account.

COMMITTEE RECOMMENDATIONS

The Committee recommends $5,400,000 for construction of a new facility to be located within the School of Veterinary Medicine at Tuskegee University, a regional institute for food animal production, research and service. In fiscal year 1986 the Congress provided $600,000 for the planning costs of this new facility. Because of the unique funding arrangements for Tuskegee University the matching fund requirement is waived.

The Committee recommends $27,000,000 for construction of a plant and animal sciences research center at the University of Illinois. In fiscal year 1986 Congress provided $3,000,000 for the planning costs associated with this new facility. The Committee has been advised that the University will provide the necessary equipment for this federally owned facility and the Committee intends that the facility be operated as a government owned/contractor operated facility.

The Committee recommends $1,000,000 for the planning costs associated with construction of a new United States Salinity Laboratory to be located on or near the campus of the University of California at Riverside. The new facility will be operated in concert with the University Soil Science Department and a newly created Center for Environmental Toxicology at the University.

The Committee recommends $1,800,000 for the planning costs associated with the proposed new agricultural science and industry facility to be located at Pennsylvania State University. In fiscal year 1986 Congress provided $50,000 for a feasibility study on the proposed facility to be conducted by the Department and a highly supportive report has been issued.

The Committee recommends $300,000 for the construction of additional classroom space at the Virginia/Maryland Regional College of Veterinary Medicine in Blacksburg, Virginia, to be matched by $300,000 from the College. The full development of the Virginia/Maryland Regional College of Veterinary Medicine, which the Congress supported in fiscal year 1984 with the appropriation of $4.5 million, is consistent with the Committee's desire to promote research in the veterinary sciences.

The Committee recommends bill language which will allow the National Arboretum to use gift funds accepted under the authority of 20 U.S.C. 195 to construct facilities to house the National Bonsai Collection.

SCIENTIFIC ACTIVITIES OVERSEAS

FOREIGN CURRENCY PROGRAM

1986 appropriation	$2,854,000
1987 budget estimate	....
Recommended in the bill	2,500,000

Comparison:	
1986 appropriation	−354,000
1987 budget estimate	+2,500,000

In fiscal year 1958, the Department initiated a research program abroad utilizing foreign currencies generated by the sale of surplus agricultural commodities under title I of Public Law 480. Originally confined to market development research authorized by section 104(b)(1) of Public Law 480, as amended, the program was subsequently expanded to include agricultural and forestry research under section 101(b)(3) of Public Law 480, as amended. It now involves work in the following general areas: farm research, utilization research, marketing research, forestry research, agricultural economics, and human nutrition research.

This research is conducted with local currencies in countries in which the United States has foreign currency available in excess of normal U.S. requirements. The dollars appropriated for this purpose are used to purchase these excess currencies from the Treasury Department.

COMMITTEE RECOMMENDATIONS

For scientific activities overseas the Committee recommends an appropriation of $2,500,000, a reduction of $354,000 below the fiscal year 1986 adjusted amount and an increase of $2,500,000 above the budget request.

COOPERATIVE STATE RESEARCH SERVICE

1986 appropriation	$276,124,000
1987 budget estimate	246,356,000
Recommended in the bill	269,092,000
Comparison:	
1986 appropriation	−7,032,000
1987 budget estimate	+22,736,000

The Cooperative State Research Service was established by Secretary's Memorandum No. 1462, dated July 19, 1961, and Supplement 1, dated August 31, 1961, under Reorganization Plan No. 2 of 1953. The primary function of the Service is to administer Acts of Congress that authorize Federal appropriations for agricultural research carried on by the State Agricultural Experiment Stations of the 50 States, District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and by approved schools of forestry, the 1890 land-grant colleges and Tuskegee University, and other eligible institutions. Administration of payments and grants involves the approval of each research proposal to be financed in whole or in part from Federal grant funds; the continuous review and evaluation of research programs and expenditures thereunder and the encouragement of cooperation within and between the States, and with the research programs of the U.S. Department of Agriculture.

COMMITTEE RECOMMENDATIONS

For payments under the Hatch Act the Committee recommends $148,792,000, the same as the amount available for fiscal year 1986 and $6,753,000 less than the budget request. The Committee's recommendation is based on the Gramm-Rudman-Hollings level. For cooperative research and extension work the Federal Government provides approximately one-half of the funds and the remaining one-half comes from State and local sources.

For cooperative forestry research the Committee recommends $12,412,000, the same as the amount available for fiscal year 1986 and $563,000 less than the budget request. The Committee's recommendation is based on the Gramm-Rudman-Hollings level.

For payments to the 1890 land-grant colleges and Tuskegee University the Committee recommends $22,320,000, the same as the amount available for fiscal year 1986 and $1,013,000 less than the budget request. The Committee's recommendation is based on the Gramm-Rudman-Hollings level.

SPECIAL RESEARCH GRANTS

The following table reflects the Committee's recommendations for special research grants:

[In thousands of dollars]

	Fiscal year 1986 amount	Fiscal year 1987 estimate	Committee recommendation
Special research grants (Public Law 89-106):			
STEEP-soil erosion in N.W.	591		591
Food Systems Research Group (Wisconsin)	148		148
Pest management	2,940		2,940
Rural development centers	363		363
Soybean cyst nematode (Missouri)	285		285
Bean and beet (Michigan)	93		93
Animal health	5,705		5,705
Aquaculture (Stoneville)	400		400
Dairy and beef photoperiod (Michigan)	33		33
Pesticide clearance	1,369		1,369
Minor use animal drugs (IR-4)	229		229
Pesticide impact assessment	1,968		1,968
Dairy goat research (Texas)	95		95
Aquaculture (general)	285		485
Milk consumption (Pennsylvania)	285		285
International Livestock Program (Kansas)	95		
Stored grain insects (Kansas)	285		
Germplasm resources	951		
Blueberry shoestring virus (Michigan)	92		92
Peach tree short life (South Carolina)	183		183
TCK Smut (wheat)	343		343
Sugarland use research (Hawaii)	142		142
Mosquito research	456		456
Int'g. Prod. Systems (Oklahoma)	238		188
Preservation and processing research (Oklahoma)	142		242
Dried bean (North Dakota)	48		48
Sunflower insects (North Dakota)	190		190
Tropical and subtropical	3,091		3,091
Potato research	761		761
Asparagus yield decline (Michigan)	95		95
Biocontrol of grasshoppers	48		48
Wool research (Texas)	142		142
Ag Policy Institute (Iowa and Missouri)	357		357
Biomass from dairy processing waste (Missouri)	285		285
Stone fruit decline (Michigan)	285		285
EDB replacement (Hawaii)	285		285
Wood utilization research (Oregon, Miss. and Michigan)	2,852		2,852

[In thousands of dollars]

	Fiscal year 1986 amount	Fiscal year 1987 estimate	Committee recommendation
Integrated reproduction management (Nebraska)	95		95
Cranberry/blueberry diseases and breeding (New Jersey)	95		95
Alternative cropping systems (Southeast)	285		285
Maple research (Vermont)	95		95
Apple quality research (Michigan)	95		95
Aquaculture planning grant (Hawaii)	142		
Multi-cropping strategies for aquaculture (Hawaii)			152
Fruit and vegetable production and marketing (Kentucky)	142		142
Plant stress (New Mexico, California and Texas)	285		385
Prime farmland reclamation (Illinois)			300
Belgium endive (Massachusetts)			60
Total, special research grants	27,389		26,778

South Central Agricultural Center.—Investigations into the needs of agricultural producers of Southeastern Oklahoma, from which developed processes and procedures can be replicated elsewhere, have revealed a number of problem areas relative to production of alternative agricultural products, including horticultural and agronomical crops. The Committee recommends $188,000 for integrated production systems research to this end.

To enhance the profitability of such alternative products, further investigation and research is warranted and should address new processing and preservation techniques including, but not limited to, dehydration, frozen processing, irradiation and alternate methods of preparing the products for market, processing, and the consumer. The Committee recommends $242,000, divided between the entities involved, for processing and preservation research to expedite, facilitate and implement the program scheduled and contemplated for the South Central Agricultural Research center in Oklahoma, and expects the cooperators to use the funds totally for the designated purpose.

Aquaculture research (general).—The Committee recommends an increase of $200,000 to establish an aquaculture research program in Louisiana on crawfish, prawns and redfish. This research will be coordinated with Aquaculture Research Center at Stoneville.

Germplasm resources.—The Committee has not recommended the restoration of funds for germplasm resources since this program has been transferred to the Agricultural Research Service and is funded under that account.

Prime farmland restoration research.—The Committee recommends $300,000 for a research project jointly funded by the Federal Government and private industry to develop the technology for the restoration of prime farmland and other high quality cropland to pre-mine levels of productivity.

Belgium endive.—The Committee recommends $60,000 for research on adapting Belgium endive to western Massachusetts as a first step in creating an endive industry in this country.

Multi-cropping strategies for aquaculture.—The Committee recommends $152,000 for research in Hawaii, to improve aquaculture efficiency through multi-cropping strategies for marine aquaculture. This study will be a follow-on and replacement for the aquaculture development research project funded in fiscal year 1986.

COMPETITIVE GRANTS

For competitive research grants the Committee recommends $32,804,000, $9,508,000 less than the amount available for fiscal year 1986 and $9,621,000 less than the budget request. The following table reflects the Committee's recommendations for competitive research grants, including earmarking of amounts for specific areas of research:

[In thousands of dollars]

	Fiscal year 1986 amount	Fiscal year 1987 estimate	Committee recommendation
Competitive research grants:			
Plant science	13,787	15,587	4,279
Soybean research	(493)		(493)
Acid precipitation	(661)	(691)	(661)
Alcohol fuels	(514)		(514)
Animal science	4,279	4,473	4,279
Brucellosis	(475)	(497)	(475)
Reproductive efficiency	(2,377)	(2,485)	(2,377)
Pest science	2,853		2,853
Gypsy moths	(951)		(951)
Boll weevil/boll worm	(951)		(951)
Pine bark beetle	(951)		(951)
Human nutrition	2,377	2,485	2,377
Biotechnology	19,015	19,880	19,016
Total, competitive research grants	42,312	42,425	32,804

ANIMAL HEALTH AND DISEASE RESEARCH

For animal health and disease research (section 1433) the Committee recommends $5,476,000, the same as the amount available for fiscal year 1986 and an increase of $5,476,000 above the budget request. The following table reflects the total funds that are available for animal and health disease research in fiscal year 1986, the amount requested in the President's budget, and the amount recommended by the Committee for fiscal year 1987:

ANIMAL HEALTH AND DISEASE RESEARCH

[In thousands of dollars]

	Fiscal year 1986 amount	Fiscal year 1987 estimate	Committee recommendation
CSRS:			
Hatch Act	8,077	8,443	8,077
1890 colleges and Tuskegee University	91	95	91
Special research grants	5,934		5,934
Animal health and disease research, sec. 1433	5,476		5,476
Competitive research grants	475		475
Total, CSRS	20,053	8,538	20,053

ANIMAL HEALTH AND DISEASE RESEARCH—Continued

[In thousands of dollars]

	Fiscal year 1986 amount	Fiscal year 1987 estimate	Committee recommendation
ARS	54,516	56,966	54,516
Total	74,569	66,001	74,569

OTHER RECOMMENDATIONS

For construction of research facilities of the 1890 land-grant colleges and Tuskegee University the Committee recommends $9,508,000, the same as the amount available for fiscal year 1986 and $432,000 less than the budget request. The Committee's recommendation is based on the Gramm-Rudman-Hollings level.

The Committee has given considerable attention to various proposals to provide some type of funding for graduate fellowships in agriculture. The Committee feels this program has a great deal of merit and recommends $7,554,000. The Committee's recommendation of $7,554,000 is composed of $1,902,000 for strengthening grants for the 1890 colleges and Tuskegee University and $2,852,000 is included for graduate fellowships at other universities. The Committee also recommends rejecting the proposal in the President's budget which would repeal the $2,800,000 permanent appropriation of Morrill-Nelson funds.

For Federal administration the Committee recommends $2,630,000, an increase of $337,000 above the amount available for fiscal year 1986 and an increase of $1,730,000 above the budget request. The Committee's recommendation includes $1,736,000 for continuing the Gulf Coast shrimp aquaculture research project which was first funded in fiscal year 1985. The Committee recommends $750,000 for a grant to Mississippi Valley State University for purposes of curriculum development and strengthening in order that the University may receive benefits similar to those currently received by the 1890 land-grant colleges and Tuskegee University.

For research on guayule as authorized by the Critical Agricultural Materials Act the Committee recommends $668,000, the same as the amount available for fiscal year 1986 and $668,000 above the budget request. Also included in the Committee's recommendation is $475,000 for implementing research under the Critical Agricultural Materials Act to be carried out at the Polymer Institute at the University of Southern Mississippi.

For rangeland research the Committee recommends $475,000, the same as the amount available for fiscal year 1986 and an increase of $475,000 above the budget request.

The Committee recommends $2,000,000 to carry out the program authorized by section 1475 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended. Section 1475(d) authorizes four centers for aquaculture research, development, and demonstration. The centers authorized by section 1475(d) shall be established as follows: in the Western region, to be administered by the University of Washington; in the Northeast region, to be administrated by Southeastern Massachusetts University; in the South, to be administered by Mississippi State University; and a center for tropical and subtropical aquaculture species, to be jointly administered by the University of Hawaii and the Oceanic Institute.

The Committee will expect that these aquaculture grants will be closely coordinated with the aquaculture reseach now underway at the ARS laboratories as well as other ongoing aquaculture research.

Section 1419 of the Food Security Act of 1985 authorizes grants to States for the establishment and operation of international trade development centers. The Committee has received a number of proposals for the establishment of such centers. Prior to funding any additional centers, the Committee will expect the Department to prepare a detailed report on the role of such centers, including their relationship to existing trade development programs and the role such centers might play in promoting the sale of U.S. agricultural products at competitive prices.

EXTENSION SERVICE

	Appropriation	Transfer from Food Stamp Program	Total
1986 appropriation	$291,042,000	($36,967,000)	($328,009,000)
1987 budget estimate	140,000,000	(..................)	(140,000,000)
Recommended in the bill	289,317,000	(38,627,000)	(327,944,000)
Comparison:			
1986 appropriation	−1,725,000	(+1,660,000)	(−65,000)
1987 budget estimate	+149,317,000	(+38,627,000)	(+187,944,000)

Cooperative agricultural extension work was established by the Smith-Lever Act of May 8, 1914, as amended. The legislation authorized the Department of Agriculture to give, through the land-grant colleges, instruction and practical demonstrations in agricultural and home economics and related subjects, and to encourage the application of such information by means of demonstrations, publications, and otherwise to persons not attending or a resident in the colleges. In addition, the Service provides nutrition training in poverty areas, 4–H Club work, and educational assistance, such as Community Resource Development.

COMMITTEE RECOMMENDATIONS

For payments under the Smith-Lever Act the Committee recommends $229,713,000, the same as the amount available for fiscal year 1986 and $102,166,000 more than the budget request. For section 3(d) grants under the Smith-Lever Act the Committee recommends restoring all of the grants to the level available in fiscal year 1986 after the Gramm-Rudman-Hollings reductions. The Committee recommends $970,000 for the farm safety program to maintain the program at last year's level. For the urban gardening program the Committee recommends $3,329,000 to also restore the program to last year's level. The Committee recommends $47,000 for a program in Nebraska to develop means of disseminating information developed under the integrated reproductive management program, the same as last year's level.

For the pest management program the Committee recommends $7,164,000, the same as the amount available for fiscal year 1986 and an increase of $7,164,000 above the budget request. The Committee also recommends $1,633,000 to restore the pesticide impact assessment program to last year's level.

For the financial management assistance program the Committee recommends $1,427,000, the same as the fiscal year 1986 adjusted amount and $1,427,000 above the budget request. The Committee will expect the Extension Service to support the guarding dog program for sheep and other livestock which is associated with the animal damage control program of the Animal and Plant Health Inspection Service.

For the expanded food and nutrition education program the Committee recommends a total funding level of $57,635,000, the same as the amount available for fiscal year 1986 and an increase of $57,635,000 above the budget request. Within this total the Committee recommends a direct appropriation of $19,008,000 and a transfer from the food stamp program of $38,627,000. The Committee has recommended the transfer from the food stamp program since, to a large extent, this program is designed to work with the food stamp recipients to provide them training in proper nutrition. Testimony before the Committee indicates that approximately 64 percent of all recipients of assistance under the expanded food and nutrition education training program are food stamp recipients.

The Committee will expect the Department to provide for an extension apiarist at the Washington, D.C. level and has included funding for such a position. The Committee also calls on the Extension Service to give expanded attention to home sewing as part of the extension program.

For payments to the 1890 land-grant colleges and Tuskegee University the Committee recommends $16,877,000, the same as the amount available for fiscal year 1986 and $9,673,000 more than the budget request.

Section 1440 of the Food Security Act of 1985 provides for Extension Service grants for educational and counseling programs for farmers who have been adversely affected by the current farm and rural economic crisis and those displaced from farming. For matching grants under this section the Committee recommends $1,500,000, for three grants in the amount of $500,000 each for establishing pilot programs in Nebraska, Iowa, and Missouri. The Committee is also aware of a number of State and local programs designed to assist dislocated or displaced farmers and will expect the Department to prepare a full and complete report on the success of these programs and report their findings to the appropriate committees of Congress.

For Federal administration and coordination the Committee recommends $6,025,000, an increase of $46,000 above the amount available for fiscal year 1986 and an increase of $675,000 above the budget request. The increase above the budget request includes the restoration of $333,000 to maintain the technology transfer projects in Oklahoma and Mississippi. The budget had proposed to terminate funding for these two projects which have now been in operation for almost four years. Also recommended for restoration is $190,000 for the pilot project on farm and financial management initiated last year in the State of Nebraska, which brings together the Extension Service, producers, and the financial community in an effort to start a comprehensive farm and ranch financial management program.

The Committee recommends the restoration of two grants, both of which were funded in fiscal year 1986 under the Office of the Under Secretary for Small Community and Rural Development. The first grant is for $24,000 for the Hilltown Community Development Corporation to continue a rural product development and marketing assistance project started last year. The second grant is for $333,000 for the program established three years ago which is designed to encourage extension type initiatives in the field of cooperation between nonprofit entities and State and local governments, private individuals and corporations to work together in the field of rural development for the creation of new job opportunities in rural depressed areas of Oklahoma. This direct grant to the nonprofit development entity authorized by 7 U.S.C. 3318 shall be used to expand the efforts of working with State and local governments, private individuals and corporations to achieve this end. In prior years this grant had been funded under the former Office of Rural Development Policy.

The Committee also recommends restoration of $689,000 to maintain the four Rural Development Centers at the same funding level as fiscal year 1986. The budget had proposed to terminate funding for the four Rural Development Centers which have been in operation for several years now and are making numerous valuable contributions to rural America.

The Committee is aware of the need to find ways to expedite the transfer of new low input farming technologies and community resource management systems to the farmer and rural communities. Under the extremely difficult conditions facing farmers and rural America, some of these new technologies could provide the difference between bankruptcy and success. Accordingly, the Committee has provided $500,000 for the Appropriate Technology Transfer for Rural Areas (ATTRA) program at the Agricenter International in Memphis, Tennessee.

For extension programs in the District of Columbia, the Committee recommends $935,000, the same as the amount for fiscal year 1986 and the same as the budget request.

NATIONAL AGRICULTURAL LIBRARY

1986 appropriation	$10,778,000
1987 budget estimate	11,421,000
Recommended in the bill	10,936,000
Comparison:	
1986 appropriation	+158,000
1987 budget estimate	−485,000

The Organic Act of 1862, establishing the Department of Agriculture, set forth a basic mission "to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture in the most general and comprehensive sense of the word," and placed upon the Secretary the responsibility to "procure and preserve all information concerning agriculture which he can obtain by means of books. . . ." The National Agricultural Library was established in the same year by the first Commissioner of Agriculture.

The Library works closely with the Library of Congress and the National Library of Medicine to fulfill the functions of a national library for the United States.

COMMITTEE RECOMMENDATIONS

For the National Agricultural Library the Committee recommends an appropriation of $10,936,000, an increase of $158,000 above the amount appropriated for fiscal year 1986 and a decrease of $485,000 below the budget request.

Given the direction taken by the Food and Drug Administration on approving the use of low-level doses of irradiation to treat fruits and vegetables, and that irradiator research activities will begin in the near future, the Committee recognizes the need for further funding for the Food Irradiation Center of the National Agricultural Library and has included within the amount recommended funds to further develop the Center.

OFFICE OF THE ASSISTANT SECRETARY FOR MARKETING AND INSPECTION SERVICES

1986 appropriation	$327,000
1987 budget estimate	[1](355,000)
Recommended in the bill	327,000
Comparison:	
1986 appropriation	....
1987 budget estimate	–28,000

[1] The 1987 budget proposed for this activity to be funded in a single account in Office of the Secretary.

The Office of the Assistant Secretary for Marketing and Inspection Services provides direction and coordination in carrying out laws enacted by the Congress with respect to the Department's marketing, inspection, and standardization related to grain; competitive marketing practices of livestock, meat and poultry, meat and poultry products, marketing orders and various programs; veterinary services; plant protection and quarantine. This Office has oversight and management responsibilities for the Animal and Plant Health Inspection Service, Agricultural Marketing Service, Agricultural Cooperative Service, Food Safety and Inspection Service, Federal Grain Inspection Service, Packers and Stockyards Administration, and Office of Transportation.

COMMITTEE RECOMMENDATIONS

For the Office of the Assistant Secretary for Marketing and Inspection Services the Committee recommends an appropriation of $327,000, the same as the fiscal year 1986 adjusted amount and a decrease of $28,000 below the budget request.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES

1986 appropriation	$300,684,000
1987 budget estimate	253,156,000
Recommended in the bill	295,929,000
Comparison:	
1986 appropriation	−4,755,000
1987 budget estimate	+42,773,000

The Animal and Plant Health Inspection Service (APHIS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of Reorganization Plan No. 2 of 1953 and other authorities. The major objectives of APHIS are to protect the animal and plant resources of the Nation from diseases and pests. These objectives are carried out under three major areas of activity, as follows:

1. *Animal and plant diseases and pest control:* Survey, diagnostic, and quarantine activities are carried out to control, eradicate, or prevent the introduction of animal and plant diseases and pests. Control and eradication programs are conducted to combat existing diseases and pests.

2. *Animal damage control:* The agency carries out research and a cooperative control program to reduce agricultural losses caused by predatory animals, birds and rodents.

3. *Other regulatory activities:* The agency performs other regulatory activities including the development of standards for and the licensing and testing of veterinary biologicals to ensure their safety and effectiveness, and the inspection of certain establishments which handle animals intended for research, exhibition, and pet purposes, as defined by law, to ensure their humane treatment.

COMMITTEE RECOMMENDATIONS

For salaries and expenses of the Animal and Plant Health Inspection Service the Committee recommends an appropriation of $295,929,000, a decrease of $4,755,000 below the fiscal year 1986 adjusted amount and an increase of $42,773,000 above the budget request.

Testimony before the Committee shows that major reductions are proposed in 13 programs which address pests and diseases accounting for not less than $2 billion in annual losses. Further, the best estimate of USDA is that pests and diseases reduce potential U.S. crop and livestock production by one-third, with losses of roughly $70 billion per year. Approximately 2.7 million people are employed on farms, and the processing, storage, marketing, and transportation industries employ an additional 18.3 million people. Over the past five years, the United States has exported between $32 and $44 billion in agricultural products annually. APHIS programs to detect, intercept, control, and eradicate pests and diseases protect all of the these components of the agricultural industry—at a cost of about $1.25 to the individual consumer. A mere one-tenth of one cent of every individual income tax dollar will pay the cost of protection through APHIS programs in fiscal year 1987.

The following table reflects the Committee's recommendations for the activities of the Animal and Plant Health Inspection Service for the arrest and eradication of contagious or infectious diseases or pests of animals, poultry, or plants:

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

[In thousands of dollars]

	Fiscal year 1986 amount	Fiscal year 1987 estimate	Committee recommendation
1. Plant disease and pest control:			
(a) Plant protection:			
(1) Biocontrol	3,146	3,276	3,146
(2) Boll weevil	2,906	652	2,906
(3) Golden nematode	957	897	957
(4) Grasshopper and Mormon cricket	1,736	956	1,736
Contingency reserve	15,386		5,000
(5) Gypsy moth	4,921	5,125	5,125
(6) Imported fire ant	5,526		5,526
(7) International programs	2,033	2,118	2,033
(8) Mediterranean fruit fly	8,174	8,512	8,512
(9) Mexican fruit fly	1,452	1,512	1,452
(10) Miscellaneous plant diseases and pests	1,086	1,131	1,086
(11) Noxious weeds	750		750
(12) Pest detection	3,781	3,938	3,781
(13) Pink bollworm	2,275	1,035	2,275
(14) Witchweed	4,493		4,493
Total, plant protection	58,622	29,152	48,778
(b) Agricultural quarantine inspection	52,209	54,367	54,209
Total, plant disease and pest control	110,831	83,519	102,987
2. Animal disease and pest control:			
(a) Animal health:			
(1) Animal welfare	4,628		5,878
(2) Brucellosis eradication	66,733	63,000	66,733
(3) Cattle ticks	5,933	6,179	5,933
(4) Animal disease detection	2,914	3,035	2,914
(5) Foot-and-mouth disease (Darien Gap)	2,127	2,215	2,127
(6) Horse protection	151		151
(7) Import-export inspection	8,111	8,446	8,111
(8) International programs	1,935	2,015	1,935
(9) Animal health compliance and enforcement	13,307	13,858	13,807
(10) National poultry improvement plan	209	217	209
(11) Poultry diseases	605	630	605
(12) Pseudorabies	2,209		1,500
(13) Screwworm	31,589	28,396	31,589
(14) Swine health protection	3,097	3,225	3,097
(15) Tuberculosis	3,749	3,905	3,749
(16) Veterinary diagnostics	10,492	10,927	10,492
(17) Miscellaneous animal diseases and pests	1,918	1,997	1,918
Total, animal health	159,707	148,045	160,748
(b) Veterinary biologics	8,267	8,610	8,267
(c) Animal damage control	19,025	10,000	20,927
Total, animal disease and pest control	186,999	166,655	189,942
3. Contingencies:			
(a) Plant disease and pest control	1,427	1,491	1,500
(b) Animal disease and pest control	1,427	1,491	1,500
Total, contingencies	2,854	2,982	3,000
Total, salaries and expenses	300,684	253,156	295,929

ANIMAL AND PLANT HEALTH INSPECTION SERVICE—Continued

[In thousands of dollars]

	Fiscal year 1986 amount	Fiscal year 1987 estimate	Committee recommendation
4. Buildings and facilities (repair and improvement)	4,054	2,347	2,246
Total, APHIS	304,738	255,503	298,175

The recommended funding level for the boll weevil program includes such sums as may be required to complete the eradication program in North and South Carolina, and continues the program in the Texas High Plains and in California and Arizona.

The recommended funding level for noxious weeds includes $109,000 for hydrilla control in California. In addition, the Committee will expect that $223,000 will be provided under the bio-control program.

For the animal damage control program the Committee recommends $20,927,000, an increase of $1,902,000 above the fiscal year 1986 adjusted amount. Within this amount the Committee has included $45,000 to maintain the Minnesota livestock guarding dog program. The Committee is aware of the success of the Oregon guarding dog program for protection of sheep and other livestock and supports the expansion of similar programs in other States with the available funds. The Committee is also aware of conditioned taste aversion research that is now underway and supports the expansion of this work. Within available funds the Committee will expect the Department to commit up to $240,000 to resume the animal damage control program in Hawaii for the control of rat damage to sugarcane and macadamia nuts. The Committee will also expect the Department to significantly expand its efforts in connection with the control of blackbirds and starlings which are a very serious problem in many parts of the country.

For enforcement of the Animal Welfare Act the Committee recommends $5,878,000, an increase of $1,250,000 above the adjusted amount (after Gramm-Rudman-Hollings) available for fiscal year 1986 and an increase of $5,878,000 above the budget request. Included in the increase over fiscal year 1986 is $750,000 for creation of a data base at the National Agricultural Library containing information on available alternatives to the use of live animals in research and information which will help to avoid duplication of research, both of which can result in considerable cost savings. The balance of the recommended increase is for general expansion of the program.

The Committee recommends $1,500,000 for the pseudorabies control program, an increase of $1,500,000 above the budget request. The funds recommended for pseudorabies will be used to conclude and evaluate the pilot projects initiated over the last three years.

The Committee carefully considered the proposals regarding the Central American Medfly eradication program. Because of budget constraints the Committee is unable to recommend funds for this program at this time. Within the funds available, the Committee will expect the Department to work toward the goals of the program, including full cooperation with the Food and Agriculture Organization of the United Nations.

In the screwworm program, the Committee has received assurances that the Department intends to include the Yucatan Peninsula and adjacent areas of Guatemala and Belize in the eradication effort, to the extent possible within available resources, in order to move the barrier zone to Mexico's southern boundaries. The recommended funding level will advance this effort.

The Committee has been advised that the Department plans to discontinue the calfhood vaccination program in connection with the control and eradication of brucellosis. The Department has stated that the reduction is to comply with the reduced funding level contained in the President's budget. Since the Committee has recommended that the funds for the brucellosis program be restored, the committee will expect the Department to maintain the calfhood vaccination program as it is presently operated.

BUILDINGS AND FACILITIES

1986 appropriation	$4,054,000
1987 budget estimate	2,347,000
Recommended in the bill	2,246,000
Comparison:	
1986 appropriation	−1,808,000
1987 budget estimate	−101,000

The buildings and facilities account is established for repair and improvement of existing facilities, and for construction of small buildings such as greenhouses.

COMMITTEE RECOMMENDATIONS

For APHIS buildings and facilities the Committee recommends an appropriation of $2,246,000 a decrease of $1,808,000 below the fiscal year 1986 adjusted amount and a decrease of $101,000 below the budget request. Of the recommended appropriation, $1,500,000 will provide for repair and improvement of existing facilities, and for construction of small buildings such as greenhouses.

The Committee's recommendation again includes language regarding the acquisition of land, as requested. APHIS will be expected to exercise this authority only upon prior approval by the appropriate committees of Congress.

Food Safety and Inspection Service

1986 appropriation	$355,584,000
1987 budget estimate	365,841,000
Recommended in the bill	361,400,000
Comparison:	
1986 appropriation	+5,816,000
1987 budget estimate	−4,441,000

The Food Safety and Inspection Service was established on June 17, 1981, by Secretary's Memorandum No. 1000-1, issued pursuant to Reorganization Plan No. 2 of 1953.

The major objectives of the Service are to assure that meat and poultry products are wholesome, unadulterated, and properly labeled and packaged, as required by the Federal Meat Inspection Act and the Poultry Products Inspection Act.

The meat and poultry inspection program of the Food Safety and Inspection Service provides continuous in-plant inspection of all domestic plants preparing meat or poultry products for sale or distribution; reviews foreign inspection systems and establishments that prepare meat or poultry products for export to the United States; and provides technical and financial assistance to States which maintain meat and poultry inspection programs.

COMMITTEE RECOMMENDATIONS

For the Food Safety and Inspection Service the Committee recommends an appropriation of $361,400,000, an increase of $5,816,000 above the fiscal year 1986 adjusted amount and a decrease of $4,441,000 below the budget request.

The Committee has provided additional funds for general cost increases and additional training for FSIS. The Committee is concerned that over the past few years FSIS has issued Inspection Location Reports indicating "critical problems" on about five percent of all plants given initial basic reviews by the agency. The Committee expects the increase in funds to FSIS to be used to continue to review meat and poultry operations so as to safeguard the Nation's health.

FEDERAL GRAIN INSPECTION SERVICE

1986 appropriation	$6,697,000
1987 budget estimate	6,979,000
Recommended in the bill	6,697,000
Comparison:	
1986 appropriation	
1987 budget estimate	−282,000

The Federal Grain Inspection Service was established on November 20, 1976, pursuant to the U.S. Grain Standards Act, as amended (Public Law 984-582). The Service carries out grain inspection and weighing programs under this law and other programs under the authority of the Agriculture Marketing Act of 1946, including the inspection and grading of rice and grain-related products as they were assigned to the agency by the Secretary of Agriculture under the authority of Reorganization Plan No. 2 of 1953.

Through these marketing programs, the Service aids in advancing orderly and efficient marketing and effective distribution of grain and related products from the Nation's farms to domestic and foreign buyers. This is accomplished through the development of standards of quality and condition and their use as a language of commerce. They permit trading among buyers and sellers who never see each other but who use these standards, which accurately describe the commodity, to buy or sell with complete understanding and assurance of what is being traded. The Service assures that these standards are applied in a fair and accurate manner and thereby promotes and protects such commerce.

The amended U.S. Grain Standards Act, requires the Service to provide Federal or delegated State original inspection and weighing services at export ports and Federal supervision at all locations. The supervision program includes supervision at export ports, by Federal inspectors and weighers, and licensed inspectors and weighers employed by 8 delegated State agencies. The agency supervises licensed inspection and weighing personnel employed by 82 designated State and private agencies performing nonexport services at interior locations. The inspection and weighing programs utilize Federal and delegated State personnel for the mandatory inspection and weighing of outbound grain at export ports, and for the permissive inspection and weighing of inbound grain at export ports. Federal personnel also carry out nationwide appeal inspections and the inspections of rice and other assigned commodities.

Under the authority of the Omnibus Budget Reconciliation Act of 1981, nearly all field services and most headquarters activities are financed from fees charged for services performed. Compliance and standardization activities, international monitoring, and the FGIS Advisory Committee are financed from appropriations.

COMMITTEE RECOMMENDATIONS

For the Federal Grain Inspection Service the Committee recommends an appropriation of $6,697,000, the same as the fiscal year 1986 adjusted amount and $282,000 below the budget request. The Committee also recommends a limitation on inspection and weighing services of $36,829,000, an increase of $1,585,000 above the fiscal year 1986 adjusted amount and the same as the budget request. The Committee believes that since the funds are derived through user fees they should not be subject to the Sequestration Order of P.L. 99-177.

AGRICULTURAL COOPERATIVE SERVICE

1986 appropriation	$4,469,000
1987 budget estimate	3,698,000
Recommended in the bill	4,469,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+771,000

The Agricultural Cooperative Service (ACS) was reorganized from the cooperative functions of the Economics, Statistics and Cooperative Service (ESCS) pursuant to Secretary's Memorandum No. 2025, dated September 17, 1980. Prior to the establishment of ESCS in October 1977, these activities were performed by the Farmer Cooperative Service.

The Secretary has assigned to the Service: (1) functions under the Cooperative Marketing Act of 1926, and (2) functions that relate to the economic and marketing aspects of farmer cooperatives under the Agricultural Marketing Act of 1946.

ACS serves as the focal point of national activity involving agricultural cooperatives. The purpose of ACS is to help farmers help themselves by providing the assistance necessary to support and improve existing cooperatives and to help farmers organize new cooperatives.

The studies conducted by ACS, some through joint Federal/State efforts, are intended to provide farmers with information on financial, organizational, legal, social and economic aspects of cooperative activity. In today's rapidly changing economic environment, ACS provides technical advice to farmers to assist and support existing cooperatives and to help organize new cooperatives.

COMMITTEE RECOMMENDATIONS

For the Agricultural Cooperative Service the Committee recommends an appropriation of $4,469,000, the same as the fiscal year 1986 adjusted amount and an increase of $771,000 above the budget request. The Committee rejects the proposed decrease for research on agriculture cooperatives. The amount recommended does not assume the enactment of proposed user fee legislation. The Committee has also recommended bill language, the same as last year, which earmarks $99,000 for a field office in Hawaii.

AGRICULTURAL MARKETING SERVICE

The Agricultural Marketing Service was established by the Secretary of Agriculture on April 1, 1972, under the authority of Reorganization Plan No. 2 of 1953, and other authorities. Through its marketing, consumer and regulatory programs, AMS aids in advancing orderly and efficient marketing and effective distribution of products from the Nation's farms.

Other programs administered by this agency include the market news services, payments to States for marketing activities, the Plant Variety Protection Act, the Federal administration of marketing agreements and orders, and inspection, grading, classing and standardization services.

MARKETING SERVICES

1986 appropriation	$30,468,000
1987 budget estimate	31,053,000
Recommended in the bill	30,945,000
Comparison:	
1986 appropriation	+477,000
1987 budget estimate	−108,000

COMMITTEE RECOMMENDATIONS

For marketing services the Committee recommends an appropriation of $30,945,000, an increase of $477,000 above the fiscal year 1986 adjusted amount and $108,000 below the budget request. The amount recommended restores funds to continue the activities of the Federal Seed Act and wholesale market development program, and provides the proposed program increases for market news and inspection and standardization. Within the funds available the Committee directs the Agricultural Marketing Service to provide assistance in implementing a marketing program to the Horticultural Producers Federation which has 14 co-ops in five States.

Again this year the Committee believes that proposed legislation to allow user fees to recover costs of AMS to be ill-conceived and untimely.

In addition, the Committee provides a limitation on administrative expenses of $28,164,000, which is an increase of $911,000 over the amount available for fiscal year 1986 and the same as the budget request.

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY

(SECTION 32)

The Act of August 24, 1935, appropriates 30 percent of all customs receipts for (a) encouraging exports of agricultural commodities, (b) encouraging domestic consumption of agricultural commodities by diversion to alternate outlets or by increasing their utilization, and (c) reestablishing the farmers' purchasing power.

The primary purpose of section 32 is to strengthen markets by buying up surplus perishable agricultural commodities to encourage continued adequate production.

The following table reflects the status of this fund for fiscal years 1985–1987:

ESTIMATED TOTAL FUNDS AVAILABLE FOR SECTION 32 ACTIVITIES AND THE ESTIMATED BALANCE CARRIED FORWARD, FISCAL YEARS 1985–87

Item	1985 actual	1986 estimate	1987 estimate
Appropriation or estimate	$2,852,033,043	$3,692,021,771	$3,785,563,745
Unobligated balance available, start of year	95,217,882	178,830,327	152,947,274
Total available	2,947,250,925	3,870,852,098	3,938,511,019
Less transfers to:			
Food and Nutrition Service, Child Nutrition Programs	−2,329,819,000	−3,271,592,000	−3,295,937,000
Department of Commerce	−34,950,782	−43,706,824	−57,426,231
Total transfers	−2,364,769,782	−3,315,298,824	−3,353,363,231
Total available after transfers	582,481,143	555,553,274	585,147,788
Less total obligations	−403,650,816	−402,606,000	−360,147,000
Unobligated balance available, end of year	178,830,327	152,947,274	225,000,788

PAYMENTS TO STATES AND POSSESSIONS

1986 appropriation	$942,000
1987 budget estimate	....
Recommended in the bill	942,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+942,000

The Federal-State Marketing Improvement Program is designed to bridge the gap between research and its practical use by producers and marketing agencies, in addition to encouraging use of the best known and most effective marketing methods and practices by all parts of the marketing chain. It enables producers and marketing agencies to apply new and improved methods and practices which aid in expanding outlets of agricultural products, providing more reliable market data, improving producer bargaining strength, reducing deterioration and spoilage of farm products, moving seasonal commodity surpluses to their best market, increasing agricultural exports, and reducing marketing costs. This benefits consumers by helping to keep retail prices down and improving the availability of fresh and wholesome foods. The program also furthers the development of improvements in marketing services through experimentation with new methods and procedures.

Federal payments, authorized by section 204(b) of the Agricultural Marketing Act of 1946, are made under cooperative agreements between the U.S. Department of Agriculture and State Departments of Agriculture, and similar State agencies. These agreements provide for eligible marketing service activities on a matching fund basis. The States contribute at least half of the cost and perform the work with State personnel.

The amount of the Federal payment to a State is based upon an evaluation of the relative urgency of the marketing problems confronting the producers, shippers and marketing agencies in the State, the probable effectiveness of the plan proposed by State specialists for solving or alleviating the problems, the capability of State personnel to aid markets in carrying out the proposed program, and the availability of Federal matching funds.

COMMITTEE RECOMMENDATIONS

For payments to States and possessions the Committee rejects the proposal to eliminate the program and recommends an appropriation of $942,000, the same as the fiscal year 1986 adjusted amount and an increase of $942,000 above the budget request.

OFFICE OF TRANSPORTATION

1986 appropriation	$2,340,000
1987 budget estimate	1,233,000
Recommended in the bill	2,340,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+1,107,000

The Office of Transportation was established by Secretary's Memorandum No. 1966, dated December 12, 1978. The transportation programs of the Department are carried out under the authority of (1) Agricultural Marketing Act of 1946, (2) Agricultural Adjustment Act of 1938, and (3) Rural Transportation Advisory Task Force.

These activities are designed to assure that the transportation system will adequately serve the agricultural and rural areas of the United States and will provide the services necessary to assure that residents of these areas have adequate facilities for the movement of people and agricultural commodities.

The main areas of responsibility are providing technological research, development, and demonstrations in agricultural transport equipment and facilities participation and transportation regulatory actions before various Federal agencies, and providing analyses to enable the Department of Agriculture to develop policy recommendations for addressing current or anticipated problems in agricultural transportation.

COMMITTEE RECOMMENDATIONS

For the Office of Transportation the Committee recommends an appropriation of $2,340,000, the same level as the fiscal year 1986 adjusted amount and an increase of $1,107,000 above the budget request. The Committee rejects the proposal to terminate this Office since it is needed more than ever in view of deregulation in the transportation industry.

PACKERS AND STOCKYARDS ADMINISTRATION

1986 appropriation	$8,820,000
1987 budget estimate	9,093,000
Recommended in the bill	8,945,000
Comparison:	
1986 appropriation	+125,000
1987 budget estimate	−148,000

The Packers and Stockyards Administration was established on October 1, 1981, in accordance with Secretary's Memorandum No. 1000-1, issued pursuant to Reorganization Plan No. 2 of 1953. Packers and stockyards activities were formerly performed by the Agricultural Marketing Service.

The goal of this program is to assure fair play in the marketing of livestock, meat, and poultry. Its principal purpose is to maintain effective competition for livestock, meat, and poultry marketing in order to assure that farmers and ranchers receive the true market value for their livestock and poultry. Consumers and members of the livestock, poultry, and meat industries are also protected against unfair business practices in the marketing of meat and poultry, and from restrictions on competition which would unduly increase meat and poultry prices. Currently, efforts are being intensified to reduce the incidence of commercial bribery in the livestock and poultry industries.

COMMITTEE RECOMMENDATIONS

For the Packers and Stockyards Administration the Committee recommends an appropriation of $8,945,000, an increase of $205,000 above the fiscal year 1986 adjusted amount and $148,000 below the budget request. The increase of $125,000 is to allow the Packers and Stockyards Administration to promulgate and monitor regulations required by the Food Security Act of 1985 for the purpose of providing certifying procedures to protect purchasers of farm products. This is commonly referred to as "clear title" legislation.

FARM INCOME STABILIZATION

OFFICE OF THE UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

1986 appropriation	$473,000
1987 budget estimate	[1](513,000)
Recommended in the bill	473,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−40,000

[1] The 1987 budget proposed for this activity to be funded in a single account in Office of the Secretary.

The Office of the Under Secretary for International Affairs and Commodity Programs provides direction and coordination in carrying out the laws enacted by the Congress with respect to the Department's international affairs (except for foreign economics development) and commodity programs. The Office has oversight and management responsibilities for the Foreign Agricultural Service; Agricultural Stabilization and Conservation Service, including the Commodity Credit Corporation; and the Office of International Cooperation and Development.

COMMITTEE RECOMMENDATIONS

For the Office of the Under Secretary for International Affairs and Commodity Programs the Committee recommends an appropriation of $473,000, the same as the fiscal year 1986 adjusted amount and a decrease of $40,000 below the budget request.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The Agricultural Stabilization and Conservation Service was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 901-913). The Service carries on the following principal programs from appropriated funds.

Production adjustment program.—The Agricultural Adjustment Act of 1938, as amended, authorizes the use of national program acreages and marketing quotas to effect production adjustment of tobacco, peanuts, wheat, cotton, and rice when supplies reach specified levels in relation to normal demand. The Food Security Act of 1985, approved on December 23, 1985, sets farm policy through September 30, 1990.

Designed to give farmers and ranchers the opportunity to earn incomes that are comparable with returns elsewhere in the economy, the program objectives include:

1. The maintenance of national aggregate net farm income at levels sufficient to insure investment in agriculture necessary to utilize production capacity within environmental constraints;
2. The development of agriculture policy and programs so that family farms will be strengthened and will provide adequate levels of net income per farm;
3. The support of efforts to strengthen farmers' power to bargain in the sale of farm products and the purchase of farm inputs; and
4. Continuation of the requirement for the maintenance of farmer-held and controlled grain reserves to aid in orderly marketing, and for humanitarian use.

The 1985 Act continues the $50,000 limitation of deficiency payments and the $100,000 limitation on disaster payments. Neither limitation applies to support loans or purchases available to eligible program participants.

Commodity Credit Corporation program activities.—Various price support and related programs have been authorized in numerous legislative enactments since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are utilized in the administration of the

Commodity Credit Corporation, and the Administrator of the Service is also Executive Vice President of the Corporation.

Foreign assistance programs and other special activities.—Various surplus disposal programs and other special activities are conducted pursuant to specific statutory authorizations and directives. These laws authorize the use of CCC funds and facilities to implement the programs. Appropriations for these programs are transferred or paid to the Corporation for its costs incurred in connection with these activities, such as Public Law 480 and the National Wool Act.

SALARIES AND EXPENSES

	Transfer from CCC
1986 transfer	($464,805,000)
1987 budget estimate	(463,696,000)
Recommended in the bill	(449,403,000)
Comparison:	
1986 transfer	(−14,834,000)
1987 budget estimate	(−14,238,000)

COMMITTEE RECOMMENDATIONS

For salaries and expenses of the Agricultural Stabilization and Conservation Service the Committee recommends $449,403,000 be transferred from the Commodity Credit Corporation, a decrease of $14,834,000 below the fiscal year 1986 adjusted amount and a decrease of $14,238,000 below the budget request. The reduction below the budget request reflects the adjustment in the fiscal year 1986 base to reflect the cuts imposed by Gramm-Rudman-Hollings.

The amount recommended by the Committee includes $240,000 to restore funds for the cotton warehouse examinations. No funds are included in the bill for the administrative expenses associated with the collection of user fees on cotton warehouse examinations or the development of regulations regarding user fees.

DAIRY INDEMNITY PROGRAM

1986 appropriation	$9,095,000
1987 budget estimate	
Recommended in the bill	95,000
Comparison:	
1986 appropriation	−9,000,000
1987 budget estimate	+95,000

The authorization for this program was extended through September 30, 1990, by the Food Security Act of 1985, to indemnify dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because such milk or milk products suffer contamination from registered pesticides. The program also authorizes indemnity payments to dairy farmers for losses resulting from the removal of cows or dairy products from the market due to nuclear radiation or fallout and residues of chemicals or toxic substances which may or may not result from the use of registered pesticides.

COMMITTEE RECOMMENDATIONS

For the dairy indemnity program the Committee recommends an appropriation of $95,000, which is $9,000,000 less than the fiscal year 1986 adjusted amount and an increase of $95,000 above the budget request. In fiscal year 1986 an emergency supplemental of $9,000,000 was provided in connection with heptachlor contamination of milk and milk products in Arkansas, Oklahoma, and Missouri.

CORPORATIONS

FEDERAL CROP INSURANCE CORPORATION

ADMINISTRATIVE AND OPERATING EXPENSES

1986 appropriation	$209,468,000
1987 budget estimate	239,885,000
Recommended in the bill	209,568,000
Comparison:	
1986 appropriation	+100,000
1987 budget estimate	−30,317,000

The Federal Crop Insurance Corporation is a wholly-owned Corporation created February 16, 1938, to carry out the Federal Crop Insurance Act. Its purpose is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance, and providing the means for research and experience helpful in devising and establishing such insurance.

Crop insurance offered to agricultural producers by the Corporation provides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not indemnify producers for losses resulting from negligence or failure to observe good farming practices.

The Federal Crop Insurance Act was amended by Public Law 96-365, which was signed into law on September 26, 1980. This legislation substantially increases the scope and importance of this program. The Corporation has expanded the rate of crop insurance coverage in order to provide a nationwide crop insurance program which is intended to become the primary form of Federal disaster protection for farmers, replacing previous disaster programs.

COMMITTEE RECOMMENDATIONS

For administrative and operating expenses of the Federal Crop Insurance Corporation the Committee recommends an appropriation of $209,568,000, which is $100,000 more than the fiscal year 1986 adjusted amount and $30,317,000 below the budget request.

The Committee concurs in the program reduction of $10,604,000 proposed for underwriting, actuarial and program development and applied the savings to the reinsured companies account. The Committee will expect the Corporation to maintain a balance between the agency sales and service agreements and the reinsured companies.

FCIC FUND

1986 appropriation	$134,190,000
1987 budget estimate	135,743,000
Recommended in the bill	135,743,000
Comparison:	
1986 appropriation	+1,553,000
1987 budget estimate	

The Federal Crop Insurance Act of 1980 authorizes the payment of a Federal subsidy of up to 30 percent of the adjusted insurance premium paid by agricultural producers participating in the program. Subsidies will be paid by the Corporation based upon 30 percent of each producer's premium (reduced, where applicable, for hail and fire exclusion or State agency subsidy) on any coverage under the Corporation's policy of insurance of up to a maximum of 65 percent of the recorded or appraised average yield, as adjusted. This Federal subsidy reduces the participating producer's cost of insuring against loss and encourages the broadest possible participation of agricultural producers in the program.

COMMITTEE RECOMMENDATIONS

For the Federal Crop Insurance Corporation Fund the Committee recommends an appropriation of $135,743,000, an increase of $1,553,000 above the amount appropriated for fiscal year 1986 and the same as the budget request. The amount recommended includes $11,709,000 for interest expense reimbursement for funds borrowed by the Corporation in fiscal year 1985.

COMMODITY CREDIT CORPORATION

The Corporation was organized October 17, 1933, under the laws of the State of Delaware, as an agency of the United States, and was managed and operated in close affiliation with the Reconstruction Finance Corporation. On July 1, 1939, it was transferred to the Department of Agriculture by the President's Reorganization Plan No. 1. On July 1, 1984, it was established as an agency and instrumentality of the United States under a permanent Federal charter by Public Law 80-806, as amended. Its operations are conducted pursuant to this charter and other specific legislation.

The Commodity Credit Corporation engages in buying, selling, lending, and other activities with respect to agricultural commodities, their products, food, feeds and fibers. Its purposes include stabilizing, supporting and protecting farm income and prices; assisting in the maintenance of balance and adequate supplies of such commodities; and facilitating their orderly distribution. The Corporation also makes available materials and facilities required in connection with the production and marketing of such commodities.

Activities of the Corporation are governed by the Food Security Act of 1985 authorizing commodity and other programs for crop years 1986 through 1990 and the charter of the Commodity Credit Corporation.

The Act requires support of 1986-1990 crops of sugar beets and sugarcane. The soybean loan support program is continued. Dual pricing and poundage quotas continue for peanuts, and acreage allotments continue to be suspended. The farmer-owned reserve program is continued and required for both wheat and feed grains.

The 1985 Act continues the dual target price and loan rate system, providing price and income support protection to farmers. Target prices are used to establish a basis for deficiency payments to producers who participate in the wheat, feed grains, cotton and rice programs. Deficiency payments for each of these commodities are required when the target price for the commodity exceeds the national average market price or the loan rate, whichever is higher.

The 1985 Act introduces the concept of marketing loans. Under certain circumstances, producers may repay non-recourse commodity loans at less than the original loan rate. As an adjunct to the marketing loan, producers who choose not to place their crop under loan may still receive a loan deficiency payment, or the difference between the nominal loan rate and the lower repayment rate whenever marketing loans are in effect. The implementation of marketing loans is discretionary in the case of wheat, feed grains and honey and required for rice and upland cotton under current market conditions.

The 1985 Act continues, but modifies, the authority of the Secretary to require a reduction in the acreage planted for wheat, feed grains, cotton, and rice if it is determined that supplies will otherwise be excessive.

Authorities to reduce acreage planted to crops when supplies are excessive continue in the 1985 Act. However, in contrast to the discretionary aspects of the 1981 Act, specific programs are required when stocks are expected to exceed certain levels.

The 1985 Act substantially revises the method by which program yields and acreage bases are computed for a farm. It is more difficult under the 1985 Act to increase both of these determinants of deficiency payments. Also, deficiency payments on a participating farm are no longer tied directly to planted acreage, as they had been under earlier laws. Farmers who comply with acreage reduction requirements may now receive deficiency payments on other lands within the farm acre base which are devoted to conserving use as long as they plant 50 percent or more of the permitted acreage to the program crop.

The 1985 Act establishes a conservation reserve program to assist owners and operators of highly erodible land in conserving and improving soil and water resources. Erodible land will enter the reserve during the 1986–1990 crop years and will remain in the reserve for 10 years. Sodbuster and swampbuster provisions prevent farm program benefits to producers who place fragile lands in production.

The 1985 Act also established a voluntary 18-month program beginning April 1, 1986, under which producers could bid for contracts which, if accepted, would pay a producer to terminate milk production for a period of 3 to 5 years by selling for export or slaughter all dairy cattle owned by the producer. In turn, the producer would agree to remain out of the dairy business for the period specified in the contract.

The 1985 Act contemplated that 12 billion pounds of production capacity would be removed under this program. Assessments on milk marketings were mandated to help pay the compensation to producers who cease operations under the program.

The 1985 Act provides for reductions in the support price of milk if surplus production is not lessened. The support price—currently at $11.60 per hundredweight—is to drop to $11.35 on January 1, 1987, and to $11.10 on October 1, 1987. For calendar years 1988 through 1990, a further reduction of 50 cents per year may be made if net CCC purchases of surplus dairy products are projected to exceed 5 billion pounds for the coming calendar year. An increase of 50 cents must be made if net purchases are projected to be less than 2.5 billion pounds.

The Corporation is managed by the board of directors appointed by the President and confirmed by the Senate, subject to the general supervision and direction of the Secretary of Agriculture, who is ex officio, a director and chairman of the board. The board consists of six members in addition to the Secretary who are designated according to their positions in the Department of Agriculture.

Personnel and facilities of the Agricultural Stabilization and Conservation Service, ASC State and county committees, and other USDA agencies are used to carry out Corporation activities. Funds are transferred from the Corporation to ASCS to pay the cost of ASCS employees, as authorized by the Charter of the Corporation.

The Corporation has an authorized capital stock of $100 million held by the United States and authority to borrow up to $25 billion. Public Law 95-279, approved May 15, 1978, increased the statutory borrowing authority to $25 billion subject to Appropriations Acts. Funds are borrowed from the Federal Treasury and may also be borrowed from private lending agencies.

The specific powers (15 USC 714c) of the Commodity Credit Corporation are as follows:

In the fulfillment of its purposes and in carrying out its annual budget programs submitted to and approved by the Congress pursuant to chapter 91 of title 31, the Corporation is authorized to use its general powers only to—

> (a) Support the prices of agricultural commodities through loans, purchases, payments, and other operations.
>
> (b) Make available materials and facilities required in connection with the production and marketing of agricultural commodities.
>
> (c) Procure agricultural commodities for sale to other Government agencies, foreign governments, and domestic, foreign or international relief or rehabilitation agencies, and to meet domestic requirements.
>
> (d) Remove and dispose of or aid in the removal or disposition of surplus agricultural commodities.
>
> (e) Increase the domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic markets or by developing or aiding in the development of new and additional markets, marketing facilities, and uses for such commodities.
>
> (f) Export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities.
>
> (g) Carry out such other operations as the Congress may specifically authorize or provide for.

REIMBURSEMENT FOR NET REALIZED LOSSES

1986 appropriation	$24,908,926,000
1987 budget estimate	16,808,806,000
Recommended in the bill	16,808,806,000
Comparison:	
1986 appropriation	−8,107,467,000
1987 budget estimate	

If necessary to perform the functions, duties, obligations, or commitments of the Commodity Credit Corporation, administrative personnel and others serving the Corporation shall be paid from funds on hand or from those funds received from the redemption or sale of commodities. Such funds shall also be available to meet program payments, commodity loans, or other obligations of the Corporation.

COMMITTEE RECOMMENDATIONS

The President's budget for the Commodity Credit Corporation is based on the following estimated program levels. The Committee recommends the full amount of the budget request of $16,808,806,000.

EXPENDITURES—CCC

[In thousands of dollars]

Support and related	Fiscal year 1985 actual	Fiscal year 1986 estimate	Fiscal year 1987 estimate
Outlays			
Loans—commodity	10,185,973	16,529,584	10,840,293
Loans—storage facilities	559	26	
Loans—export guarantee claims	184,067	613,873	683,350
Purchases	2,616,065	2,071,697	1,464,964
Storage and handling	394,190	606,641	1,041,972
Transportation	133,918,	163,291	152,501
Processing and packaging	129,026	108,845	100,713
Producer storage payments	328,994	475,366	753,471
Loans—collateral settlements	40,781	71,530	78,948
Direct payments	7,826,903	5,414,920	7,074,891
Loan deficiency payments		199,100	720,500
Whole herd buy out		250,000	590,000
Purchases of red meat		100,000	300,000
Conservation reserve program		190,000	550,000
Short-term and interm. export credit sales	72,475		
Operating expenses	354,639	483,312	434,271
Interest expenditures	1,851,641	2,019,826	1,931,699
Transfers in	245,396	91,042	137,257
Other expenditures	857,301	1,262,104	2,375,444
Total outlays	25,221,928	30,651,157	29,230,274
Receipts			
Repayments—commodity loans	4,147,998	7,353,341	8,540,735
Repayments—storage facility loans	310,321	258,612	103,720
Repayments—export guarantees	19,487	10,504	9,017
Sales proceeds	1,757,563	1,925,013	2,941,116
Repayments—export credit sales	92,919	102,180	57,709
Interest income	417,122	478,132	614,279
Operating income	3,146	2,829	2,811
Transfers out	257,036	91,276	137,328
Realization of assets	67	250	250
Dairy assessments	374,639	235,000	401,000

EXPENDITURES—CCC—Continued

[In thousands of dollars]

Support and related	Fiscal year 1985 actual	Fiscal year 1986 estimate	Fiscal year 1987 estimate
Export guarantee fees	15,595	32,901	150,000
Other receipts	38,216	87,302	40,050
Total receipts	7,434,109	10,577,400	12,998,615
Net expenditures above	17,787,819	20,073,757	16,231,659
Change in working capital	−213,988	570,000	250,000
Net expenditures, support and related	17,573,831	20,643,757	16,481,659

The Committee has included limitations on the use of the Commodity Credit Corporation contained in the bill. The amounts recommended by the Committee are the amounts in the President's budget or in some instances the amounts authorized in Public Law 99–198.

SHORT-TERM EXPORT CREDIT

The Committee recommends $5,000,000,000 for short-term export credit guarantees which will be available to eligible countries for up to three years. The Committee's recommendation is identical to the provisions of section 1125 of Public Law 99–198, and are required by law.

INTERMEDIATE-TERM EXPORT CREDIT

The Committee recommends $500,000,000 for intermediate export credit guarantees which will be available to eligible countries. The Committee's recommendation is identical to the provisions of section 1131 of Public Law 98–198, and are required by law.

GENERAL SALES MANAGER

(ALLOTMENT FROM COMMODITY CREDIT CORPORATION)

1986 appropriation	($5,827,000)
1987 budget estimate	(6,089,000)
Recommended in the bill	(5,827,000)
Comparison:	
1986 appropriation	....
1987 budget estimate	(−262,000)

The position of Sales Manager was created by the Congress upon the recommendation of this Committee in 1955. At that time, the Commodity Credit Corportion had no sales program and no sales policy. Notwithstanding the worldwide need for U.S. agricultural commodities and notwithstanding the authority of the Secretary to sell U.S. commodities abroad at competitive prices, our government, through pressure from the Department of State, held such commodities off world markets—commodities which, perhaps, were surplus to domestic demand but were very much in demand by consumers in other parts of the world if the offering price was merely competitive.

This had several undesirable results. First, it encouraged other countries to expand their production and increase their competition in world markets. Second, it created very large holdings of commodities in this country which were counted to reduce American production with very undesirable effects on American agriculture.

Following this period, with a Sales Manager operating a positive sales program at competitive prices, these tremendous stocks were reduced through sales in world trade for dollars. Following that, however, the position of Sales Manager was left vacant for long periods of time until the position was reestablished at the direction of the Congress.

COMMITTEE RECOMMENDATIONS

For the Office of the General Sales Manager the Committee recommends an allotment from the Commodity Credit Corporation of $5,827,000, the same as the fiscal year 1986 adjusted amount and a decrease of $262,000 below the budget request.

TITLE II—RURAL DEVELOPMENT PROGRAMS

RURAL DEVELOPMENT ASSISTANCE

The Committee has approached rural development from the point of view of assuring that every effort be made to see that the rural areas of the country receive treatment from the Federal Government similar and also equal to that received by our urban areas.

These action agencies, the Farmers Home Administration and the Rural Electrification Administration, have been operating in rural areas for several decades and have played a major role in the enhancement of rural life.

In the 1930's and 1940's the Farmers Home Administration and its predecessor agencies were primarily involved in making small loans to farmers; however, today the agency has a multi-billion dollar loan program throughout all America.

OFFICE OF THE UNDER SECRETARY FOR SMALL COMMUNITY AND RURAL DEVELOPMENT

1986 appropriation	$744,000
1987 budget estimate	[1] (422,000)
Recommended in the bill	394,000
Comparison:	
1986 appropriation	−350,000
1987 budget estimate	−28,000

[1] The 1987 budget proposed for this activity to be funded in a single account in Office of the Secretary.

The Office of the Under Secretary for Small Community and Rural Development provides direction and coordination in carrying out the laws enacted by the Congress with respect to the Department's small community and rural development activities and crop insurance programs. The Office has oversight and management responsibilities for the Farmers Home Administration, Rural Electrification Administration, and the Federal Crop Insurance Corporation.

COMMITTEE RECOMMENDATIONS

For the Office of the Under Secretary for Small Community and Rural Development the Committee recommends an appropriation of $394,000, a decrease of $350,000 below the fiscal year 1986 adjusted amount and a decrease of $28,000 below the budget request.

FARMERS HOME ADMINISTRATION'S RURAL DEVELOPMENT PROGRAMS

Under the law, responsibility for rural development programs has been assigned primarily to the Farmers Home Administration. The Farmers Home Administration is the governmental agency responsible for the housing needs of rural America, including such related programs as water and sewer loans and grants. The Housing and Community Development Act of 1974 expanded the area of FmHA's responsibility from cities of up to 10,000 in population to cities of up to 20,000 in population.

In order to maintain and improve the quality of life in the rural areas of the country, the Farmers Home Administration conducts the following primary activities.

RURAL HOUSING INSURANCE FUND

Housing Loans.—Makes rural housing loans pursuant to title V of the Housing Act of 1949, as amended, to farm owners, to owners of other real estate in rural areas, and long-term farm leaseholders in rural places with a population of up to 20,000. Rural housing loans are made to construct, improve, alter, repair or replace dwellings and essential farm service buildings that are modest in size, design, and cost.

Rental Housing Loans.—Makes loans for rural rental housing pursuant to title V of the Housing Act of 1949, as amended. Such insured loans are made to individuals, corporations, associations, trusts, or partnerships to provide moderate-cost rental housing and related facilities for elderly persons in rural areas. These loans, made with funds advanced by private lenders, are repayable in not to exceed 50 years.

Farm Labor Housing.—Makes loans pursuant to title V of the Housing Act of 1949, as amended. Such insured loans are made either to a farm owner or to a public or private nonprofit organization to provide modest living quarters and related facilities for domestic farm labor. These loans, which are made with funds advanced by private lenders, are repayable in not more than 33 years at one percent interest. Otherwise, insured farm labor housing loans are subject to the same terms and limitations applicable to other types of insured loans, except that these loans are not limited to family farms or to any specific amount.

AGRICULTURAL CREDIT INSURANCE FUND

Farm Ownership Loans.—Makes loans to farmers and ranchers for acquiring, enlarging, or improving farms, including farm buildings, land development, use and conservation, refinancing indebtedness and for loan closing costs.

Soil and Water Loans.—Makes conservation loans to farmers and ranchers and to associations for the effective development and utilization of water supplies and for the improvement of farmland by soil and water conserving facilities and practices.

Emergency Loans.—Makes loans in designated areas where a natural disaster has caused a general need for agricultural credit which cannot be met for limited periods of time by private cooperatives or other responsible sources, including the Farmers Home Administration.

Operating Loans.—Makes loans to farmers and ranchers for costs incident to reorganizing a farming system for more profitable operations, for a variety of essential farm operating expenses such as purchase of livestock, farm equipment, feed, seed, fertilizer, and farm supplies, for refinancing land and water development use and conservation, for refinancing indebtedness, for other farm and home needs, and for loan closing costs.

Soil Conservation Loans.—Makes resource conservation and development loans to sponsors of projects approved for operation by the Soil Conservation Service. Such loans are repayable in not more than 30 years with repayment of principal and interest deferred up to five years if necessary. These loans bear interest at a rate based on the average rate paid by similar Treasury issues.

Also makes watershed and flood prevention loans. Such loans are made to local organizations for installing, repairing, or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs. Loans are repayable in not more than 50 years at an interest rate based on specified outstanding obligations of the Treasury.

RURAL DEVELOPMENT INSURANCE FUND

Water and Sewer Loans.—Makes loans for water and sewer development costs. Development loans are made to associations, including corporations operating on a nonprofit basis, municipalities and similar organizations, generally designated as public or quasi-public agencies, that propose projects for the development, storage, treatment, purification, and distribution of domestic water or the collection, treatment, or disposal of waste in rural areas.

Community Facility Loans.—Loans are made to organizations, including certain Indian tribes and corporations not operated for profit and public and quasi-public agencies, to construct, enlarge, extend or otherwise improve community facilities providing essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, health care, transportation, traffic control, and community, social, cultural and recreational benefits. Loans are made for facilities which primarily serve rural residents of open country and rural towns and villages of not more than 20,000 people.

Rural Industrialization Loans.—Makes loans for rural industrialization and rural community facilities under Rural Development Act amendments to the Consolidated Farm and Rural Development Act authorities. Business and industrial loans are made to public, private, or cooperative organizations organized for profit, to certain Indian tribes, or to individuals for the purpose of improving, developing or financing business, industry, and employment or improving the economic and environmental climate in rural areas. Such purposes include financing business and industrial acquisition, construction, enlargement, repair or modernization, financing the purchase and development of land, easements, rights-of-way, buildings, and payment of start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration of such loans is given to rural areas and cities having a population of less than 25,000.

GRANTS FOR RURAL DEVELOPMENT

Water and Sewer Grants.—Makes grants for water and sewer development costs. Development grants are made to associations, including corporations operating on a nonprofit basis, municipalities and similar organizations, generally designated as public or quasi-public agencies, that propose projects for development, storage, treatment, purification, and distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Such grants may not exceed 75 percent of the development cost of the projects, and can supplement other funds borrowed or furnished by applicants to pay development costs.

Farm Labor Housing Grants.—Financial assistance in the form of grants is authorized to public or private nonprofit organizations or other eligible organizations for low-rent housing and related facilities for domestic farm labor, as authorized by the Housing Act of 1964. Assistance not to exceed 90 percent of the total development cost is authorized for new structures (including basic household furnishings) and sites, and for rehabilitation, alteration, conversion or improvement of dwellings, dining halls, community rooms or buildings and infirmaries used by domestic farm laborers.

Mutual and Self-Help Housing Grants.—Makes grants authorized by section 523 of title V of the Housing Act of 1949, as amended. These grants are especially designed to aid the development of comprehensive plans to permit an expansion of mutual and self-help housing programs under which groups of families build their own homes by mutually exchanging labor.

Business and Industrial Development Grants.—Makes rural development grants to public bodies for measures designed to facilitate development of private business enterprises, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions necessary for water supply and waste disposal facilities, refinancing services and fees. These grants may be made in connection with business and industrial loans, and community facilities loans. Grants are limited to communities having populations of 50,000 or less.

HISTORY OF FARMERS HOME

From the beginning of the Resettlement Administration in 1935 until the end of fiscal year 1985, a total of $133,940,830,995 was advanced or obligated in more than 9.6 million loans and grants made through FmHA and its predecessor agencies.

Program-by-program, the all-time totals as of September 30, 1985, are as shown in the following table:

FARMERS HOME ADMINISTRATION

[Loans and grants by program- -All-time total through Sept. 30, 1985]

	Number of loans or grants	Dollar amount
Farmer programs:		
Farm operating loans	2,527,334	$21,007,058,866

FARMERS HOME ADMINISTRATION—Continued

[Loans and grants by program—All-time total through Sept. 30, 1985]

	Number of loans or grants	Dollar amount
Farm ownership loans	404,100	11,602,291,627
Recreation loans (individual)	463	20,527,880
Emergency loans	1,233.514	22,679,702,908
Economic emergency loans	126,770	7,227,951,980
Grazing association loans	605	129,419,696
Soil and water loans (individual)	43,512	490,978,192
Irrigation and drainage loans	610	32,240,909
Indian land acquisition loans	85	95,277,800
Farmer programs, total	4,336,993	63,285,449,858
Rural housing programs:		
Individual housing loans (502 and 504) [1]	1,904,750	36,322,619,500
Compensation for construction defects (grants)	377	1,218,006
Very-low-income repair grants	54,676	139,041,555
Rural rental housing loans	19,266	8,624,183,898
Rental assistance program:		
Rental housing (126,889 units)	[2] 2,605	2,266,039,877
Labor housing (5,415 units)	[2] 29	102,710,804
Farm labor housing loans	1,791	193,394,020
Farm labor housing grants	245	174,310,865
Site loans	173	24,519,730
Self-help housing grants	507	87,791,521
Rural housing supervisory assistance grants	57	5,000,000
Housing programs, total	1,984,476	47,940,829,776
Community programs:		
Water and waste disposal loans	27,259	8,806,694,844
Water and waste disposal grants	12,984	2,776,795,821
Community facility loans	4,788	2,197,990,470
Industrial development grants	1,367	83,549,279
Watershed and flood prevention loans	488	175,599,224
Resource conservation and development loans	291	29,412,409
Rural development planning grants (ADA)	605	19,000,000
Development grants other than FmHA	2,048	332,330,998
Community programs, total	49,830	14,421,373,045
Business and industry programs:		
Guaranteed business/industrial loans	7,071	5,675,472,474
Business/industry programs, total	7,071	5,675,472,474
Discontinued programs:		
Emergency livestock loans	7,738	1,045,660,130
State corporation farm operating loans	185,904	158,964,394
Rural rehabilitation loans	3,031,331	1,015,825,965
Economic opportunity loans (individual)	54,660	109,394,912
Economic opportunity loans (association)	1,476	21,107,481
Recreation association loans [3]	1,035	110,510,460
Rural renewal loans	56	6,550,300
Water facility loans (individual)	18,296	29,695,363
Water/sewer comprehensive planning grants	1,834	22,293,387
Bureau of Reclamation, soil and water loans	283	4,935,550
Land conservation and development loans	274	267,900
Special impact grants	2	2,700,000
State corporation farm ownership loans, agricultural credit corporation loans, resettlement projects, water utilization and construction loans	(4)	89,800,000
Total discontinued	3,312,889	2,617,705,842

FARMERS HOME ADMINISTRATION—*Continued*

[Loans and grants by program—All-time total through Sept. 30, 1985]

	Number of loans or grants	Dollar amount
Grand total	9,691,259	133,940,830,995

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[1] Includes very-low-income repair loans.
[2] Data collection started in 1983.
[3] Recreation association loans included in community facility loans since 1974.
[4] Number not available.

The unpaid principal on all FmHA loans as of September 30, 1985, totals $65.0 billion.

The soaring annual volume of programs, making FmHA the largest Federal loan agency dealing directly with borrowers, reflects the rising emphasis during the 1960's and 1970's on resources for development on revival of the whole rural community. Programs increased from $300 million to $1.6 billion during the 1960's. Since then, these annual levels have been recorded as:

Fiscal year:	
1969	$1,431,925,000
1970	1,639,748,570
1971	2,414,315,015
1972	2,789,805,921
1973	3,754,934,003
1974	3,591,084,198
1975	5,466,262,317
1976	5,393,792,929
1977	7,235,522,710
1978	11,088,919,995
1979	14,671,661,650
1980	12,965,757,950
1981	13,974,661,512
1982	8,778,217,000
1983	7,314,494,000
1984	7,995,093,000
1985	9,511,665,191

The temporary downward dip between fiscal year 1973 and 1974 was attributed to an exceptionally great outlay for farm emergency loans in 1973, and a January–June moratorium on new subsidized housing that decreased the backlog of loan applications for fiscal year 1974. A large volume of emergency lending was the principal reason why obligations in fiscal year 1975 exceeded those of 1976. The $11 billion volume of 1978 and $14 billion volume of 1979 included record levels for farm emergency, housing, community facility, and business and industrial programs. Between 1976 and 1979 FmHA made 45 percent of the entire dollar amount of loans and grants it has made over its full 44-year history.

COMMITTEE RECOMMENDATIONS

The Committee recommends the following loan and grant levels for fiscal year 1987, as compared with the estimated levels for fiscal year 1986 and the budget request levels for fiscal year 1987:

LOAN AND GRANT LEVELS

[In millions of dollars]

	Current 1986 estimate	1987 budget	1987 recommendation
Rural housing insurance fund:			
Low-income housing loans (502)	1,339.8		1,339.8
Rural housing site development loans (524)	.6		.6
Rural rental housing loans (515)	669.9		669.9
Very low-income repair loans (504)	11.3		14.4
Domestic farm labor loans (514)	11.5		11.5
Rural rental assistance payments	160.3		160.3
Self-help land development fund	1.0		
Subtotal, rural housing insurance fund	2,194.4		2,196.4
Agricultural credit insurance fund:			
Farm ownership loans:			
Direct	388.8	195.0	190.0
Guaranteed	249.2	325.0	325.0
Soil and water loans:			
Direct	21.1		12.0
Guaranteed	5.7		5.0
Indian land acquisition loans	3.8		3.8
Farm operating loans:			
Direct	1,503.2	1,305.0	1,298.0
Guaranteed	1,660.9	2,175.0	2,170.0
Emergency loans	1,244.1	700.0	700.0
Watershed and flood prevention loans	13.4		13.4
Resource conservation and development loans	1.9		1.9
Subtotal, agricultural credit insurance fund	5,092.1	4,700.0	4,719.1
Rural development insurance fund:			
Water and waste disposal loans	325.4		325.4
Community facility loans	95.7		95.7
Rural industrialization loans	95.7		95.7
Subtotal, rural development insurance fund	516.8		516.8
Water and waste disposal grants	109.4		109.4
Rural housing for domestic farm labor	9.5		9.5
Mutual and self-help housing grants	7.6		7.6
Home repair grants	13.9		11.9
Compensation for construction defects	.7		.7
Rural community fire protection grants	3.1		3.1
Preservation grants	19.1		19.1
Subtotal, grants and payments	164.3		161.3
Total, loans, grants, and payments	7,966.6	4,700.0	7,593.6

Rural Housing Insurance Fund

ESTIMATED LOAN LEVELS

1986 appropriation	**($2,194,403,000)**
1987 budget estimate	
Recommended in the bill	**(2,196,423,000)**
Comparison:	
1986 appropriation	**(+2,020,000)**
1987 budget estimate	**(+2,196,423,000)**

This fund was established in 1965 (Public Law 89-117) pursuant to section 517 of title V of the Housing Act of 1949, as amended. This fund may be used to insure or guarantee rural housing loans for single family homes, rental and cooperative housing, farm labor housing, and rural housing sites. Loan programs are limited to rural areas which include towns, villages, and other places of not more than 10,000 population, which are not part of an urban area. Loans may also be made in areas with a population in excess of 10,000 but less than 20,000, if the area is not included in a standard metropolitan statistical area and has a serious lack of mortgage credit for low- and moderate-income borrowers.

COMMITTEE RECOMMENDATIONS

Recommended loan levels for fiscal year 1987 for the rural housing insurance fund include: $1,339,800,000 for low-income housing, the same as the amount available for fiscal year 1986 and an increase of $1,339,800,000 above the budget request; $669,900,000 for rural rental housing loans, the same as the amount available for fiscal year 1986 and an increase of $669,900,000 above the budget request; funds for new (additional) and renewal units under the rent supplement program, estimated to cost $160,310,000 over the five-year life of the agreements; $14,355,000 for very low-income housing repair loans, which is $3,020,000 more than the amount available for fiscal year 1986 and an increase of $14,355,000 above the budget request; $11,484,000 for farm labor housing loans, the same as the amount available for fiscal year 1986 and an increase of $11,484,000 above the budget request.

In connection with funding rent supplement agreements, the Committee recommends that renewal agreements be funded out of the rural housing insurance fund rather than by direct appropriation. The budget request did not propose to fund new or renewal rental agreements.

REIMBURSEMENT FOR LOSSES

1986 appropriation	$1,996,283,000
1987 budget estimate	2,714,566,000
Recommended in the bill	2,296,283,000
Comparison:	
1986 appropriation	+300,000,000
1987 budget estimate	−418,283,000

Section 523(c) of the Housing Act of 1949, as amended, authorizes annual appropriations to the rural housing insurance fund of the amounts by which interest payments made from the fund to investors in insured loans exceed the interest due from borrowers.

In addition, section 517(e) of the Act authorizes appropriations to restore all other losses to the fund, exclusive of provisions for future losses, unfunded costs, and imputed interest.

COMMITTEE RECOMMENDATIONS

For reimbursement for interest subsidies and other losses for the rural housing insurance fund the Committee recommends an appropriation of $2,296,283,000, which is $300,000,000 above the amount appropriated for fiscal year 1986 and $418,283,000 below the budget request.

AGRICULTURAL CREDIT INSURANCE FUND

ESTIMATED LOAN LEVELS [1]

1986 appropriation	[2] ($5,240,106,000)
1987 budget estimate	(4,700,000,000)
Recommended in the bill	(4,719,140,000)
Comparison:	
1986 appropriation	(−520,966,000)
1987 budget estimate	(+19,140,000)

[1] Amounts shown reflect estimated emergency loan levels, but do not include amounts for Interest Buy-Down program at $114,840,000 for 1986 and $185,000,000 for 1987.

[2] In addition the Secretary has transferred $700 million from emergency disaster loans.

This fund makes the following loans to individuals: farm ownership, farm operating, soil and water, recreation and emergency. In addition, the fund makes loans to associations for irrigation and drainage, grazing, recreation facilities, Indian tribe land acquisition, watershed protection, flood prevention, and resource conservation and development. This fund is maintained from available receipts, borrowings from the Treasury, or from the sale of certificates of beneficial ownership to the Federal Financing Bank to provide additional resources for loan making. With respect to new loans made from this fund, not more than $500 million may be held in the fund at any one time. Interest on borrowings is paid to the Treasury at the current average rate that the Treasury must in turn pay.

Present money market interest rates are in excess of the statutory rate paid by most borrowers. The excess interest paid to private investors to make loans salable or pay part of the borrower's interest on guaranteed loans is paid from Treasury borrowings.

COMMITTEE RECOMMENDATIONS

Recommended loan levels for fiscal year 1987 for the agricultural credit insurance fund include: $515,000,000 for farm ownership loans, of which $190,000,000 is for insured loans and $325,000,000 is for guaranteed loans; $3,468,000,000 for farm operating loans, of which $1,298,000,000 is for insured loans and $2,170,000,000 is for guaranteed loans; $17,000,000 for soil and water loans, of which $5,000,000 is for guaranteed loans; $3,828,000 for Indian land acquisition loans; $13,398,000 for watershed and flood prevention loans; and $1,914,000 for resource conservation and development loans. The Committee believes that farm ownership loans should be used primarily for refinancing or adding to existing farms.

For emergency disaster loans the Committee recommends $700,000,000, the maximum amount authorized by the Food Security Act of 1985. Until this year, the Committee had always recommended that in connection with the disaster program the amounts available be specified as "such sums as necessary", however, the Food Security Act of 1985 limits the authorization for the program to $700,000,000.

REIMBURSEMENT FOR LOSSES

1986 appropriation	$1,083,403,000
1987 budget estimate	2,440,203,000
Recommended in the bill	1,723,403,000
Comparison:	
1986 appropriation	+640,000,000
1987 budget estimate	−716,800,000

This appropriation will partially reimburse the agricultural credit insurance fund for losses sustained in prior fiscal years. The annual reimbursement will partially restore the losses of the fund, exclusive of provision for future losses, imputed interest, and unfunded costs.

COMMITTEE RECOMMENDATIONS

For reimbursement for interest subsidies and other losses for the agricultural credit insurance fund the Committee recommends an appropriation of $1,723,403,000, an increase of $640,000,000 above the amount appropriated for fiscal year 1986 and $716,800,000 below the budget request.

RURAL DEVELOPMENT INSURANCE FUND

ESTIMATED LOAN LEVELS

1986 appropriation	($516,780,000)
1987 budget estimate	....
Recommended in the bill	(516,780,000)
Comparison:	
1986 appropriation	....
1987 budget estimate	(+516,780,000)

This fund, created by the Rural Development Act of 1972, finances a variety of rural development loans, including water and sewer systems, rural industrial development loans, and other needed community facilities. As is the case with the agricultural credit insurance fund, the notes resulting from loans made by the fund are used as security for the sale of certificates of beneficial ownership to the Federal Financing Bank to provide additional resources for further loan making. Deficits as a result of fund operations are restored by appropriation.

COMMITTEE RECOMMENDATIONS

Recommended loan levels for fiscal year 1987 for the rural development insurance fund include: $325,380,000 for water and sewer facility loans, the same as the amount available for fiscal year 1986 and $325,380,000 more than the budget request; $95,700,000 for community facility loans, the same as the amount available for fiscal year 1986 and $95,700,000 more than the budget request; and $95,700,000 for guaranteed business and industrial loans, the same as the amount available for fiscal year 1986 and $95,700,000 more than the budget request.

As in past years, the Committee will also expect that not less than 30 percent of the loans made for rural water and waste disposal systems will be used for the expansion of existing systems. The Committee will expect the Department to review all loan and grant contracts for water and waste disposal loans and grants that were made during fiscal years 1985 and 1986, and report to the appropriate committees of Congress the number that provided for expansion of existing systems.

REIMBURSEMENT FOR LOSSES

1986 appropriation	$556,645,000
1987 budget estimate	736,619,000
Recommended in the bill	656,645,000
Comparison:	
1986 appropriation	+100,000,000
1987 budget estimate	−79,974,000

This appropriation is to partially reimburse the rural development insurance fund for losses sustained in prior fiscal years. The annual reimbursement will restore the losses of the fund, exclusive of provision for future losses, imputed interest, and unfunded costs.

COMMITTEE RECOMMENDATIONS

For reimbursement for interest subsidies and other losses for the rural development insurance fund the Committee recommends an appropriation of $656,645,000, an increase of $100,000,000 above the amount appropriated for fiscal year 1986 and a decrease of $79,974,000 below the budget request.

RURAL WATER AND WASTE DISPOSAL GRANTS

1986 appropriation	$109,395,000
1987 budget estimate	
Recommended in the bill	109,395,000
Comparison:	
1986 appropriation	
1987 budget estimate	+109,395,000

The Farmers Home Administration is authorized to make grants to rural area associations, such as nonprofit corporations and municipalities, for up to 75 percent of the cost of developing projects for storage, treatment, purification, and distribution of domestic water or the collection, treatment, or disposal of wastes.

COMMITTEE RECOMMENDATIONS

For rural water and waste disposal grants the Committee recommends an appropriation of $109,395,000, the same as the amount available for fiscal year 1986 and an increase of $109,395,000 above the budget request.

The Committee feels it is essential to maintain existing levels of funding for this program in order to work toward area coverage for water and sewer systems. This is especially true for water systems since, frequently, the central water system or basic facility, including the wells, needs to be improved or expanded. The central system tends to involve much larger capital outlays than simply the laying of new water lines and since the upgrading of these systems often can involve human health and safety concerns, the Committee feels it is essential to restore the funding for this program.

The Committee expects that not less than 30 percent of the funds appropriated for rural water and waste disposal grants will be used for expansion of existing systems. In addition, the Committee will also expect the Department to give high priority to those communities which are in jeopardy of losing their supply systems because of the requirements of the Safe Drinking Water Act. As previously mentioned, the Committee will expect the Department to move toward expansion of area coverage, including the modification of central facilities.

VERY LOW-INCOME HOUSING REPAIR GRANTS

1986 appropriation	$13,891,000
1987 budget estimate	
Recommended in the bill	11,891,000
Comparison:	
1986 appropriation	−2,000,000
1987 budget estimate	+11,891,000

This grant program is authorized under section 504 of title V of the Housing Act of 1949, as amended. The rural housing repair grant program is carried out by making grants to very low-income families to make necessary repairs to their homes in order to make such dwellings safe and sanitary, and remove hazards to the health of the occupants, their families, or the community.

These grants may be made to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, supplying screens, repairing or providing structural supports or making similar repairs, additions, or improvements, including all preliminary and installation costs in obtaining central water and sewer service. A grant can be made in combination with a section 504 very low-income housing repair loan.

No assistance can be extended to any one individual in the form of a loan, grant, or combined loan and grant in excess of $5,000 and grant assistance is limited to persons, or families headed by persons, who are 62 years of age or older.

COMMITTEE RECOMMENDATIONS

For very low-income housing repair grants for the elderly the Committee recommends an appropriation of $11,891,000, which is $2,000,000 less than the fiscal year 1986 adjusted amount and an increase of $11,891,000 above the budget request. The Committee feels that this program of providing safe and sanitary housing for the very low-income elderly should be maintained. Without this program, some elderly individuals could be forced to leave their homes because of their inability to make costly repairs.

GRANTS FOR RURAL HOUSING FOR DOMESTIC FARM LABOR

1986 appropriation	$9,513,000
1987 budget estimate	
Recommended in the bill	9,513,000
Comparison:	
1986 appropriation	
1987 budget estimate	+9,513,000

Financial assistance in the form of grants is authorized to public or private nonprofit organizations or other eligible organizations for low-rent housing and related facilities for domestic farm labor.

Under section 516 of the Housing Act of 1949, FmHA is authorized to share with States or other political subdivisions, public or private nonprofit organizations, or nonprofit organizations of farmworkers, the cost of providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may be for year-round or seasonal occupancy and consist of family units, apartments, or dormitory-type units, constructed in an economical manner, and not of elaborate or extravagant design or materials. Grant assistance may not exceed 90 percent of the total development cost. Applicants furnish as much of the development cost as they can afford by using their own resources, by borrowing either directly from private sources, or by obtaining an insured loan under section 514 of the Housing Act. The applicant must agree to charge rentals which do not exceed amounts approved by the Secretary, maintain the housing at all times in a safe and sanitary condition, and give occupancy preference to domestic farm laborers.

The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grant unless sooner terminated by the Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration has the option to require repayment of the grant.

COMMITTEE RECOMMENDATIONS

For grants for rural housing for domestic farm labor the Committee recommends an appropriation of $9,513,000, the same as the fiscal year 1986 adjusted amount and $9,513,000 above the budget request. Consistent with past years, the Committee recommends making this appropriation available until expended.

The Committee will expect that 10 percent of these funds will be used to encourage the development of domestic and farm labor housing projects, in accordance with section 516(i) of the Housing Act of 1949, as amended.

MUTUAL AND SELF-HELP HOUSING

1986 appropriation	$7,610,000
1987 budget estimate	....
Recommended in the bill	7,610,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+7,610,000

This grant program is authorized by title V of the Housing Act of 1949, as amended. Grants are made to local organizations to promote the development of mutual or self-help programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes and for administrative expenses of the organizations providing the self-help assistance.

COMMITTEE RECOMMENDATIONS

For mutual and self-help housing grants the Committee recommends an appropriation of $7,610,000, the same as the fiscal year 1986 adjusted amount and an increase of $7,610,000 above the budget request. The Committee recommends the $7,610,000 be used for grants to eligible recipients who are capable of operating a cost-effective program.

RURAL COMMUNITY FIRE PROTECTION GRANTS

1986 appropriation	$3,091,000
1987 budget estimate	....
Recommended in the bill	3,091,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+3,091,000

Rural community fire protection grants are authorized by section 7 of the Cooperative Forestry Assistance Act of 1978. Grants are made to public bodies to organize, train, and equip local firefighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources in rural areas. In fiscal year 1985, 3,400 grants were obligated for a total of $3.2 million. It is anticipated that approximately 3,122 grants will be obligated in fiscal year 1986 for a total of $3.1 million.

COMMITTEE RECOMMENDATIONS

For rural community fire protection grants the Committee recommends an appropriation of $3,091,000, the same as the fiscal year 1986 adjusted amount. There never has been a budget request for these grants since the program was first authorized in fiscal year 1972.

COMPENSATION FOR CONSTRUCTION DEFECTS

1986 appropriation	$713,000
1987 budget estimate	....
Recommended in the bill	713,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+713,000

This program is authorized under section 509(c) of the Housing Act of 1949, as amended. The Secretary of Agriculture is authorized to make expenditures to correct structural defects, or to pay claims of owners arising from such defects on newly constructed dwellings purchased with FmHA financial assistance. Claims will not be paid until provisions under the builder's warranty have been fully pursued. Requests for compensation for construction defects must be made within eighteen months of loan closing.

COMMITTEE RECOMMENDATION

For compensation for construction defects the Committee recommends an appropriation of $713,000, the same as the fiscal year 1986 adjusted amount and an increase of $713,000 above the budget request. With this program some of the low-income borrowers of the Farmers Home Administration might lose their homes through no fault of their own because of defects in the construction overlooked by the FmHA inspectors at the time of purchase.

RURAL HOUSING PRESERVATION GRANTS

1986 appropriation	$19,140,000
1987 budget estimate	....
Recommended in the bill	19,140,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+19,140,000

Section 522 of the Housing and Urban-Rural Recovery Act of 1983 authorizes the Farmers Home Administration to administer a new program of home repair directed at low- and very low-income people.

Nationally, with only a fourth of the population, rural areas have over 50 percent of the units lacking plumbing and over a third of the units considered substandard.

The rural housing preservation grants program seeks to attack this problem by forging a working relationship between FmHA and public bodies and nonprofit institutions capable of carrying out a program of home repair.

The idea behind the preservation program is to improve the delivery of rehabilitation assistance by employing the expertise of housing organizations at the local level. Eligible applicants will compete on a State-by-State basis for grants funds. These funds may be administered as loans, loan write-downs, or grants to finance home repair. The program will be administered by local grantees.

COMMITTEE RECOMMENDATIONS

For rural housing preservation grants the Committee recommends an appropriation of $19,140,000, the same as the fiscal year 1986 adjusted amount and $19,140,000 more than the budget request.

SALARIES AND EXPENSES

	Appropriation	Transfer from loan accounts	Total
1986 appropriation	$356,106,000	($4,000,000)	($360,106,000)
1987 budget estimate	382,639,000	(4,000,000)	(386,639,000)
Recommended in the bill	381,867,000	(4,000,000)	(385,867,000)
Comparison:			
1986 appropriation	+25,761,000	....	(+25,761,000)
1987 budget estimate	−772,000	....	(−772,000)

These funds are used to administer the loan and grant programs of the Farmers Home Administration including reviewing applications, making and collecting loans, and providing technical assistance and guidance to borrowers; and to assist in extending other Federal programs to people in rural areas.

COMMITTEE RECOMMENDATIONS

For salaries and expenses of the Farmers Home Administration the Committee recommends $385,867,000, including $4,000,000 in transfers from loan accounts. The Committee's recommendation is $25,761,000 more than the fiscal year 1986 adjusted amount and $772,000 less than the budget request.

Included in the Committee's recommendation are increases of $18,316,000 related to the cost of office automation, $5,000,000 to meet increased loan servicing requirements, $1,397,000 to meet increased employee relocation costs; offset by a reduction of $1,350,000 in reduced Washington office staff years as proposed in the agency's budget request.

The Committee will expect the Farmers Home Administration to closely work with muscadine grape growers and processors to provide the necessary financial assistance to this new industry.

As provided in the Compact of Free Association Act of 1985 (Public Law 239), the Federated States of Micronesia and the Marshall Islands shall continue to be eligible for the programs of the Farmers Home Administration.

"CASH FLOW" REQUIREMENTS

The Committee takes note that the "cash flow" regulations developed by the Farmers Home Administration are administrative regulations and not regulations required to carry out the law. The public and the press seldom notice that Congress only writes the law and the regulations and administration come under the Executive Branch. The major action which forced farmers off the farm this year comes because the Administrator of the Farmers Home Administration required "cash flow"—that is that a farm borrower could live, pay all his back debts, his new loan, and make money under this year's Farm Bill—and the regulation was issued mainly by word of mouth. The Committee strongly feels these regulations are both unsound and unfair and have caused many farmer families to be forced off their farms. The Committee will expect the Department to carry out the law as intended by the Congress.

The Committee is also aware of efforts by the Farmers Home Administration and certain other agencies of the Department to circumvent written regulations by directing the field staff, either by telephone or personal contact, to operate contrary to the written regulations. To bring this practice to an end, the Committee has included a new General Provision in the bill which provides that none of the funds in the Act may be used to pay the salary of any person or persons who alter, change, limit, restrict, countermand or in anyway modify any written regulation, policy or procedure by oral communication.

CIRCUIT RIDER PROGRAM

The Committee takes note that since the inception of the rural water and waste disposal program, 12,000 water systems have been established. Many of these systems, because of age and other reasons, require technical assistance. Therefore, the Committee again recommends that of the funds provided for contracts, $1,997,000 is provided for a circuit rider program to provide technical assistance to rural water systems. This program has been operated extremely effectively over the last several years by the National Rural Water Association. Therefore, the Committee has included bill language providing for contracting this work with the National Rural Water Association, which has operated this program since its inception, or another equally qualified national organization.

HILO OFFICE

The Committee has again included bill language which prohibits the relocation of the Hawaii State Office from Hilo to Honolulu. While the Committee is not aware of any proposals to make such a change, the Committee recommends retaining the language in order to see that the best interests of the farmers of Hawaii are adequately protected.

OGC FIELD OFFICES

During the current fiscal year, the General Counsel is operating field offices which were established to provide local legal services to States considered by the Farmers Home Administration to need more direct local assistance than the General Counsel could provide from regional offices. For fiscal year 1987 the budget proposed to fund these offices as a part of the budget of the Office of the General Counsel. The Committee continues to feel that these offices are essential and has recommended $1,755,000 as a direct appropriation under the Office of the General Counsel in order to maintain these offices.

MINIMUM STAFF YEAR CEILING

The Committee has again recommended a floor on staff years for the Farmers Home Administration and has increased the floor from 12,400 to 12,700 in order to reflect current ceiling levels for the agency.

Rural Electrification Administration

HISTORY OF REA

The Rural Electrification Administration assists rural electric and telephone organizations in obtaining the financing required to provide electric and telephone service in rural areas. These essential services help improve the quality of life for people who live, work, or do business throughout rural America. Financial assistance may include loans from REA, guarantees of loans made by others, and REA approval of security arrangements which permit the borrower to obtain financing from other lenders without a guarantee.

REA was first established by Executive Order No. 7073 on May 11, 1935, as part of a general program of unemployment relief. It soon became clear, however, that the task of extending central station electric service to rural areas required very specialized skills (engineering, management, etc.) that would be difficult to attract if REA operated under the constraints of the unemployment relief authorization. REA was given its own statutory authorization by the Rural Electrification Act of May 20, 1936. It became part of the U.S. Department of Agriculture on July 1, 1939.

Federal support was needed to electrify rural America because most of the established utilities served high density areas and did not extend lines to farmers and other rural residents because such investments were not considered to be feasible.

When Congress established REA, its purpose was to assure that funds would be available for rural electrification. Loans were made at interest rates that fluctuated with the cost of money to the Government. It was not until 1944 that Congress established a fixed interest rate of two percent. The difficult task involved with the initial organizing and constructing of rural electric systems was made possible by the availability of capital from REA, innovative construction techniques, and the establishment of cooperatives.

The purpose of REA was expanded in 1949 when REA was authorized to loan funds for telephone service in rural areas. As in the case of electricity, it became clear that rural residents would not have access to adequate and dependable telephone service unless Federal support was provided. Both the rural telephone and rural electric programs of REA have been very successful toward achieving their goals.

During the late 1960's and early 1970's, rural electric and telephone leaders came to realize that their capital needs were growing at a very rapid rate and would very likely continue to grow. It was no longer reasonable to expect the Government to meet all of their growing capital needs, and they had developed sufficient financial strength to obtain a portion of their capital needs from private sources. For these reasons, supplemental sources of financing were developed for both rural electric and telephone utilities.

The National Rural Utilities Cooperative Finance Corporation (CFC) was formed in 1969 by the rural electric cooperatives. It obtains funds from the private credit markets for its loans to electric systems. As of December 31, 1982, CFC had provided more than $2.1 billion in long-term loans to its membership, which includes 862 systems. In addition to CFC, rural electric systems obtain loan funds from the Banks for Cooperatives and other private sources.

The Rural Telephone Bank (RTB) was established in 1971 by Public Law 92-12 which amended the Rural Electrification Act. It is the primary supplemental source of financing for the growing capital needs of rural telephone systems.

The Rural Telephone Bank is managed by a 13-member board of directors. The Administrator of REA serves as Governor of the Bank until conversion to private ownership, control, and operation. This will take place when 51 percent of the Class A stock issued to the United States and outstanding at any time after September 30, 1995, has been fully redeemed and retired. The Bank board holds at least four regularly scheduled meetings a year. Activities of the Bank are carried out by REA employees and the Office of the General Counsel of the U.S. Department of Agriculture.

In 1973, a major amendment to the Rural Electrification Act established the "Rural Electrification and Telephone Revolving Fund" (RETRF) for the purpose of making loans to REA electric and telephone borrowers. The amended Act established that loans to be made from the RETRF would be at a standard rate of five percent instead of the two percent rate at which REA loans had previously been made. The two percent rate was retained as a special rate for borrowers that met criteria specified in the Act. It was also available, at the Administrator's discretion, for hardship cases.

In addition to establishing the RETRF and increasing the interest rate on REA loans, the 1973 amendment authorized REA to guarantee loans made by other lenders. Today, these loan guarantees account for most of the loan funds obtained by electrification borrowers.

In 1981, Congress further amended the Rural Electrification Act by eliminating the special two percent interest rate on loans to rural electric and telephone systems. Exceptions to the five percent rate may still be made at the discretion of the REA Administrator where there is a finding of hardship.

REA's programs have been very successful in extending electric and telephone service to persons in rural areas. By 1953 more than 90 percent of all farms in the U.S. had electricity; for telephone service, the 90 percent mark was passed in 1976.

In addition to financing the extension of electric and telephone service to rural areas, REA has provided credit to rural telephone utilities for system improvements that have dramatically upgraded the quality of telephone service in rural America.

Before the REA telephone program, rural telephone service was often antiquated and unreliable—even where it was available.

Today, modern and reliable telephone service is available for people who live, work or do business in rural areas. The availability of modern communications systems has improved the quality of life of rural people and has strengthened their local economies. Improvement continues as more rural residents receive single party service.

As of September 30, 1985, REA borrowers had received more than $58.7 billion from REA loans, guarantee commitments and RTB loans. Loan guarantee commitments account for most of this financing; however, a large proportion has been provided by REA loans at the two percent and five percent interest rates.

Although the total amount of financing provided or guaranteed by REA has increased greatly, as has the complexity of many of the electric generation and telephone projects, REA's staff has effectively handled the increased workload, even though staff years have declined from a high of over 1300 in 1951 when approximately $260 million in loans were approved, to today's level of approximately 598 when loans of almost $1.0 billion were approved.

REA's record of principal and interest collections has been excellent. As of September 30, 1985, REA had collected more than $12.5 billion in principal and interest payments from its rural electric and telephone borrowers. Total losses to date have amounted to only $44,478.

RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND

LOAN AUTHORIZATIONS

1986 appropriation	($861,300,000)
1987 budget estimate	(435,000,000)

Recommended in the bill	(861,300,000)
Comparison:	
1986 appropriation	....
1987 budget estimate	(+426,300,000)

COMMITTEE RECOMMENDATIONS

For insured loans to rural electric systems the Committee recommends a floor of $622,050,000 and a ceiling of $933,075,000. For insured telephone loans the Committee recommends a floor of $239,250,000 and a ceiling of $311,025,000. The budget proposed a ceiling of $375,000,000 for electric loans and a ceiling of $60,000,000 for telephone loans.

For guaranteed loans to rural electric systems the Committee recommends a floor of $813,450,000 and a ceiling of $1,961,850,000. For guaranteed telephone loans the Committee recommends a floor of $119,625,000 and a ceiling of $138,765,000. The budget proposed a ceiling of $225,000,000 on guaranteed electric loans and no guaranteed telephone loans.

REIMBURSEMENT FOR LOSSES

1986 appropriation	$99,400,000
1987 budget estimate	....
Recommended in the bill	100,000,000
Comparison:	
1986 appropriation	+600,000
1987 budget estimate	+100,000,000

This appropriation is to partially reimburse the rural electrification and telephone revolving fund for the differential between interest income and interest costs.

The Committee feels that the rural electrification and telephone revolving fund should be treated the same as the other revolving funds of USDA. In fiscal year 1987, the appropriations for interest and other losses of the other funds are as follows:

Rural housing insurance fund	$2,296,283,000
Agricultural credit insurance fund	1,723,403,000
Rural development insurance fund	656,645,000
Rural communication development fund	1,591,000

COMMITTEE RECOMMENDATIONS

Rather than allow the revolving fund to continue to deplete its assets, the Committee recommends an appropriation of $100,000,000 to help maintain the fund on a sound financial basis. This appropriation is budget authority only and has no impact on outlays.

RURAL TELEPHONE BANK

1986 appropriation	($28,530,000)
1987 budget estimate	....
Recommended in the bill	(28,710,000)
Comparison:	
1986 appropriation	(+180,000)
1987 budget estimate	(+28,710,000)

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act to establish the Rural Telephone Bank as a supplemental source of financing for the growing capital needs of rural telephone systems. It also authorized U.S. stock purchases totaling $300,000,000 with up to $30,000,000 to be appropriated annually. Public Law 93-32, approved May 11, 1973, further amended the Act by providing that the Bank charge an interest rate based on the average cost of money to the Bank, but not less than 5 percent per annum.

Public Law 97-98, approved December 22, 1981, further amended the Act by providing for an authorization of an additional $300,000,000 in U.S. stock purchases with $30,000,000 authorized to be appropriated annually.

COMMITTEE RECOMMENDATIONS

For the Rural Telephone Bank the Committee recommends an appropriation of $28,710,000, which is $180,000 more than the amount available for fiscal year 1986 and $1,290,000 less than the annual authorization for this appropriation.

RURAL COMMUNICATION DEVELOPMENT FUND

REIMBURSEMENT FOR LOSSES

1986 appropriation	$1,196,000
1987 budget estimate	1,591,000
Recommended in the bill	1,591,000
Comparison:	
1986 appropriation	+395,000
1987 budget estimate	....

The rural communication development fund, an account under the rural development insurance fund, was established pursuant to Secretary's Memorandum No. 1988, approved May 22, 1979. The Memorandum transferred certain financing authorities under the Consolidated Farm and Rural Development Act (U.S.C. 1921 et seq.) from the Farmers Home Administration to the Rural Electrification Administration for the purpose of financing and administering community antennae television services or facilities.

COMMITTEE RECOMMENDATIONS

For the rural communication development fund the Committee recommends an appropriation of $1,591,000, an increase of $395,000 above the amount available for fiscal year 1986 and the same as the budget request.

SALARIES AND EXPENSES

1986 appropriation	$29,447,000
1987 budget estimate	26,355,000
Recommended in the bill	29,447,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+3,092,000

In addition to ordinary administrative expenses, these funds are used to provide assistance to electrification borrowers and potential borrowers to negotiate for adequate supplies of power on reasonable terms. Business management and technical help is furnished borrowers where needed to protect the government's loan security, to assure that construction and operation of their systems conform to approved standards, and that the systems will provide continuous and reliable service and facilitate the most effective use of resources to achieve program objectives.

COMMITTEE RECOMMENDATIONS

For salaries and expenses of the Rural Electrification Administration the Committee recommends an appropriation of $29,447,000, the same as the amount available for fiscal year 1986 and an increase of $3,092,000 above the budget request.

The Committee is again this year concerned with the REA "general funds" policies and has continued last year's bill language that prohibits appropriated funds from being used to deny or reduce loans or loan advances based upon a borrower's level of general funds. The Committee believes an adequate level of general funds is essential to a sound business and expects the Department to achieve the minimum level of loans set forth in the fiscal year 1987 Appropriation Bill.

The benefits of rural electrification and telephone service are widely recognized for their role in development of rural areas. The rural electric cooperatives are urged to expand their efforts in development of rural areas which they serve, as the law allows as set out in section 5 of the Rural Electrification Act.

The Committee again advises the Department that no funds are available for changes in the Engineering Standards Division. The Committee is extremely concerned over reports that vacant positions in the Engineering Standards Division are not being filled. The Committee will expect the Department to operate these programs in fiscal year 1987 as intended by the Congress.

As provided in the Compact of Free Association Act of 1985 (Public Law 239), the Federated States of Micronesia and the Marshall Islands shall continue to be eligible for the programs of the Rural Electrification Administration.

CONSERVATION

OFFICE OF THE ASSISTANT SECRETARY FOR NATURAL RESOURCES AND ENVIRONMENT

1986 appropriation	$363,000
1987 budget estimate	[1] (395,000)
Recommended in the bill	363,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−32,000

[1] The 1987 budget proposed for this activity to be funded in a single account in Office of the Secretary.

The Office of the Assistant Secretary for Natural Resources and Environment provides direction and coordination in carrying out the laws enacted by the Congress with respect to the natural resources and environment. The Office has oversight and management responsibilities for the Soil Conservation Service and the Forest Service.

COMMITTEE RECOMMENDATIONS

For the Office of the Assistant Secretary for Natural Resources and Environment the Committee recommends an appropriation of $363,000, the same as the fiscal year 1986 adjusted amount and a decrease of $32,000 below the budget request.

SOIL CONSERVATION SERVICE

The Soil Conservation Service was established by the Act of April 27, 1935. Through the years, this Service, together with the agricultural conservation program and over 2 million conservation district cooperatives, has been a major factor in holding down pollution. The Soil Conservation Service works with conservation districts, groups, and Federal and State agencies having related responsibilities in bringing about physical adjustments in land use that will conserve soil and water resources, provide for agricultural production on a sustained basis, and reduce damage by floods and sedimentation. The Service, with its dams, debris basins, and planned watersheds, provides technical advice on the agricultural conservation program, where the Federal Government pays about one-third of the cost, and through these programs, has done perhaps more to hold down pollution than any other activity. These programs and water sewage systems in rural areas tend to hold pollution back from the areas of greatest damage, the rivers and harbors near our cities.

The watershed improvement programs of the Department of Agriculture were initiated by the authorization of planning and works of improvement on the original 11 major watersheds covered by the Flood Control Act of 1944. In 1953 the Committee provided $5,000,000 in the 1954 Appropriations Act, without a prior budget estimate, to authorize 62 small "pilot" watershed projects to promote national interest in small upstream watershed control. These pilot projects were a tremendous success. The following year, the 83rd Congress enacted Public Law 566, which placed this program on a permanent basis. Under authority of section 8 of this same Act, as amended, loans to local organizations were authorized to help defray a portion of the local share of the cost of watershed protection and flood prevention projects. These programs are now financed through three appropriations designated as "river basin surveys and investigations," "watershed planning" and "watershed and flood prevention operations."

While Congress has not heretofore designated Soil Conservation Service watershed appropriations by project or structure, it could become necessary.

CONSERVATION OPERATIONS

1986 appropriation	$348,340,000
1987 budget estimate	361,996,000
Recommended in the bill	361,520,000
Comparison:	
1986 appropriation	+13,180,000
1987 budget estimate	−476,000

The basic objectives of conservation operations include use of land, within its capability, and applying treatments in accordance with its need for protection and improvement.

The Service provides technical help to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands in carrying out locally-adopted soil and water conservation programs.

COMMITTEE RECOMMENDATIONS

The Committee is again this year in a position of having to restore the conservation programs of the Department of Agriculture. The importance of these programs to the Nation has been proven over many years. Congress has continually insisted on full support of the conservation programs by providing the funds necessary to continue them.

For conservation operations the Committee recommends an appropriation of $361,520,000, an increase of $13,180,000 above the fiscal year 1986 adjusted amount and $476,000 below the budget request.

The Committee again rejects the proposal to terminate most of the Soil Conservation Service staff and programs and continues to provide in the bill a floor on SCS staff of 14,177. In the fiscal year 1987 budget proposal the Administration concludes that with the passage of the Food Security Act of 1985 and the inclusion of the new Conservation Reserve program that all other conservation programs should be terminated. This shortsighted approach would forsake those programs that have worked so well in the past. The interest of Congress and the President in maintaining the country's most valuable resource is reflected by the enactment of Public Law 99-263 on March 14, 1986, which states "the Conservation Reserve program shall not replace or reduce any existing conservation program."

Included within the recommended amount are funds to continue the Chesapeake Bay restoration project at the adjusted fiscal year 1986 level. The Chesapeake Bay program, started only a few years ago, is already paying dividends. The Committee includes within the conservation operations level $452,000 to continue the 26 county groundwater conservation program in Eastern Arkansas, over and above the State's allocation.

The Committee also recommends $100,000, an increase of $40,000 over the budget request, to continue the back-irrigation study in Michigan. The increase is to provide for a full-time project coordinator. This study is providing previously untapped information regarding groundwater irrigation.

Section 1203 of the Food Security Act of 1985 requires, with few exceptions, that any person who produces a commodity on land that is defined as highly erodible is ineligible to participate in USDA programs unless a SCS approved conservation plan is actively applied before 1990. Preliminary estimates indicate that at current rates the cost to SCS to implement this provision will be $100-$150 million over the next five years. Accordingly, the Committee recommends a $10,000,000 increase to the technical assistance program. The Committee also suggests that, with the change in requirements for resource appraisals, the adjusted fiscal year 1986 amounts for resource appraisal and inventory and monitoring programs be applied to technical assistance so long as the existing demonstration projects for resource appraisal are continued and the minimum requirements for updating inventory and monitoring plans on a five-year frequency are met. And for the same reasons the Committee has allocated an additional $2,000,000 to the soil surveys program.

The Committee concurs in the program increase for the snow survey and water forecasting and operation of the plant materials center.

RIVER BASIN SURVEYS AND INVESTIGATIONS

1986 appropriation	$14,166,000
1987 budget estimate	9,472,000
Recommended in the bill	14,166,000
Comparison:	
1986 appropriation	
1987 budget estimate	+4,694,000

Section 6 of the Watershed Protection and Flood Prevention Act (Public Law 566, 83d Cong.), as amended (16 U.S.C. 1001–1008), provides for cooperation with other Federal, State and local agencies in making investigations and surveys of the watersheds of rivers and other waterways as a basis for the development of coordinated programs. Reports of the investigations and surveys are prepared to serve as a guide for the development of agricultural, rural, and upstream watershed aspects of water and related land resources, and as a basis for coordination of this development with downstream and other phases of water development.

COMMITTEE RECOMMENDATIONS

For river basin surveys and investigations the Committee recommends an appropriation of $14,166,000, the same as the fiscal year 1986 adjusted amount and an increase of $4,694,000 above the budget request. The Committee does not concur with the request to terminate the program.

WATERSHED PLANNING

1986 appropriation	$8,480,000
1987 budget estimate	6,480,000
Recommended in the bill	8,480,000
Comparison:	
1986 appropriation	
1987 budget estimate	+2,000,000

The Watershed Protection and Flood Prevention Act (Public Law 566, 83d Cong.), as amended (16 U.S.C. 1001–1008), provides for cooperation between the Federal Government and the States and their political subdivisions in a program of watershed planning. Watershed plans form the basis for installing works of improvement for floodwater retardation, erosion control, and reduction of sedimentation in the watersheds of rivers and streams and to further the conservation, development, utilization, and disposal of water.

The work of the Department in watershed planning consists of assisting local organizations to develop their watershed work plan by making investigations and surveys in response to requests made by sponsoring local organizations. These plans describe the soil erosion, water management, and sedimentation problems in a watershed and works of improvement proposed to alleviate these problems. Plans also include estimated benefits and costs, cost-sharing and operation and maintenance arrangements, and other appropriate information necessary to justify Federal assistance for carrying out the plan.

COMMITTEE RECOMMENDATIONS

For watershed planning the Committee recommends an appropriation of $8,480,000, the same as the fiscal year 1986 adjusted amount and an increase of $2,000,000 above the budget request. The Committee does not concur in the budget request to terminate these programs.

WATERSHED AND FLOOD PREVENTION OPERATIONS

1986 appropriation	$257,400,000
1987 budget estimate	67,778,000
Recommended in the bill	174,885,000
Comparison:	
1986 appropriation	−82,515,000
1987 budget estimate	+107,107,000

The Watershed Protection and Flood Prevention Act (Public Law 566, 83d Cong.), as amended (16 U.S.C. 1001–1008), provides for cooperation between the Federal Government and the States and their political subdivisions in a program to prevent erosion, floodwater, and sediment damage in the watersheds or rivers and streams and to further the conservation, development, utilization and disposal of water.

The work of the Department under this item includes technical and financial assistance for the installation of works of improvement specified in approved watershed work plans including structural measures and land treatment measures and program evaluation studies in selected watershed projects to determine the effectiveness of structural and land treatment measures installed; and making loans to local organizations to finance the local share of the costs of installing planned works of improvement.

COMMITTEE RECOMMENDATIONS

The budget request for fiscal year 1987 proposed that the watershed and flood prevention operations program be terminated. The amount requested, $67,778,000, was for lump sum payments, severance pay, and other nonrecurring program termination costs. The Committee disagrees with this proposal. The decrease of $82,515,000 from the fiscal year 1986 adjusted amount reflects an adjustment for supplemental appropriations associated with major flooding that occurred in the United States in 1985 and 1986.

For watershed and flood prevention authorized by Public Law 534 the Committee recommends $26,271,000, a decrease of $7,610,000 below the fiscal year 1986 adjusted amount and an increase of $13,871,000 above the budget request. In carrying out the Public Law 534 program, the Committee will expect the Department to continue to give attention to the Trinity River project and to expedite this project where possible within available funds.

For emergency watershed protection the Committee recommends $4,755,000, a decrease of $69,930,000 below the fiscal year 1986 adjusted amount and $3,649,000 above the budget request. The fiscal year 1986 amount included some one-time costs for major emergency work relating to floods along the East Coast. The recommended amount provides for the historical funding level adjusted for Public Law 99-177.

For small watersheds authorized by Public Law 566 the Committee recommends an appropriation of $143,859,000, the same as the fiscal year 1986 adjusted amount and an increase of $89,587,000 above the budget request.

In order to ensure that funds for the watershed and flood prevention operations program are used in a manner consistent with congressional intent, the Committee will expect the Department to initiate not less than 20 new construction starts under the Public Law 566 program and not less than 5 new starts under the Public Law 534 program. The Committee has also included a General Provision in the bill which provides that the Secretary shall initiate these new starts.

Yazoo Basin, Mississippi, demonstration erosion control, a joint program of the Corps of Engineers and the Soil Conservation Service—During fiscal years 1983 and 1984 flood damages in the U.S. totaled $7 billion whereas $40 billion in damages were prevented by Corps projects. In those same two years, the Mississippi River and Tributaries project alone prevented an estimated $31 billion in damages. In two seasons the benefits were nearly 9 times the investment in the project over the last half century.

Although Corps reservoirs, levees and other flood control or protection works have been highly effective in preventing flood damages, residual flood damages have also been devastating. Only in 1972, when Hurricane Agnes occurred, were flood damages significantly worse than during 1983 and 1984.

During fiscal years 1983 and 1984, 322 lives were lost and over 51 million acres of land were inundated by floods. Corps studies show that within the Lower Mississippi Valley alone about 6 million acres of farmland were flooded in fiscal year 1984.

In fiscal year 1983, Public Law 98-8 contained legislation addressing the need for vital flood control and soil conservation work caused by disastrous hurricanes and rains which covered much of the United States, including the Lower Mississippi Valley, which drains over 40 percent of the United States. The legislation provided for cooperative work between the Corps and the Soil Conservation Service in an effort to hold back the water in the watershed areas to prevent disastrous flooding. Legislation in fiscal years 1984, 1985, and 1986 directed the continuation of this effort.

A Joint Interagency Task Force was established to develop the program. The Task Force is composed of action agencies which are the SCS and the Vicksburg District, Corps of Engineers, and the Agricultural Research Service National Sedimentation Laboratory. The purpose of the Task Force is to develop a comprehensive plan to reduce flooding, erosion, and sedimentation in the Yazoo Basin foothills.

The Task Force has developed a program to include selection of construction items for the six watersheds, a determination of which agency should accomplish each item, a definition of work that could be done on a data collection and monitoring program, and technical work plans for the individual watersheds. For fiscal year 1987 the Task Force has defined usable increments of work that can be constructed and the work that can be accomplished on technical work plans.

The bill includes $5,400,000 to continue work on all six projects. Those watersheds include Batupan Bogue, Otoucalofa Creek, Hotophia Creek, Hickahala and Senatobia Creeks, Long Creek and Black Creek. Within the overall plan, work is to be initiated on Birney Creek and Toby Tubby Creek in Lafayette County to provide relief at the lowest possible cost. A study is to be undertaken of Bywy Watershed in Choctaw County and Porter's Creek in Tippah County. In addition, below the North Tillatoba Watershed Project, work will be done to improve the outlet of tributaries to South Tillatoba beginning at the creek.

RESOURCE CONSERVATION AND DEVELOPMENT

1986 appropriation	$25,020,000
1987 budget estimate	11,400,000
Recommended in the bill	25,020,000
Comparison:	
1986 appropriation	....
1987 budget estimate	+13,620,000

The Soil Conservation Service has general responsibility under provisions of section 102, title I of the Food and Agriculture Act of 1962, for developing overall work plans for resource conservation and development projects in cooperation with local sponsors; to help develop local programs of land conservation and utilization; to assist local groups and individuals in carrying out such plans and programs; to conduct surveys and investigations relating to the conditions and factors affecting such work on private lands; and to make loans to project sponsors for conservation and development purposes and to individual operators for establishing soil and water conservation practices.

COMMITTEE RECOMMENDATIONS

For the resource conservation and development program the Committee recommends an appropriation of $25,020,000, the same as the fiscal year 1986 adjusted amount and an increase of $13,620,000 above the budget request. The Committee does not concur with the budget request to terminate the program and has included a General Provision in the bill which provides that no funds appropriated may be used to phase out resource conservation and development.

Within the $25,020,000, the Committee has included $363,000 to be used to continue existing contracts with an entity of the State of Oklahoma, which maximizes the agricultural and natural resources potential of South Central and Southeast Oklahoma, in such a manner as to generate the greatest economic development and job creation. The Committee is pleased with the progress and success of the contract.

GREAT PLAINS CONSERVATION PROGRAM

1986 appropriation	$20,474,000
1987 budget estimate	
Recommended in the bill	20,474,000
Comparison:	
1986 appropriation	
1987 budget estimate	+20,474,000

The Great Plains conservation program was authorized under Public Law 1021, 84th Congress (16 U.S.C. 590p), as amended. Public Law 91-118 extended the Great Plains cost-share contracting authority to December 31, 1981. This program provides technical assistance and long-term cost-sharing to land users in the counties of the Great Plains States plagued with recurring wind erosion problems. It is designed to provide needed protection and improvement of soil, water, plant, and wildlife resources of this vast agricultural area. Installation of complete conservation programs on entire operation units in the area helps to stabilize the local economy while assisting the individual producers. The work supplements other soil and water conservation programs and activities in counties designated by the Secretary. It is also coordinated with programs and objectives of locally-managed conservation districts, State agencies, and community groups. This program contributes to total environmental improvement through reduction of wind and water erosion and sedimentation and abatement of agriculture related pollutants.

COMMITTEE RECOMMENDATIONS

For the Great Plains conservation program the Committee recommends an appropriation of $20,474,000, the same as the fiscal year 1986 adjusted amount and an increase of $20,474,000 above the budget request. The Committee does not concur in the budget request to terminate the program and expects the program to be operated as it was in fiscal year 1986.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

In addition to the agricultural programs discussed earlier, the ASCS administers the following conservation programs:

AGRICULTURAL CONSERVATION PROGRAM

1986 appropriation	$180,739,000
1987 budget estimate	
Recommended in the bill	180,739,000
Comparison:	
1986 appropriation	
1987 budget estimate	+180,739,000

This program is authorized by the provisions of sections 7 to 16(a), inclusive, 16(f), and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. Its objectives include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water and (3) conserving water on land. Cost-sharing assistance is furnished to individual farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. This assistance represents only a part of the cost of performing the practices. The farmer bears the balance of the cost and, in addition, supplies labor and management necessary to carry out the practices.

In the opinion of the majority of the Members of the Committee, the funds expended through this program return to the Nation the greatest possible conservation benefits. Further, this program provides the best possible means of meeting local conservation needs in all areas of the country. It is far more effective than many other approaches proposed in recent years.

Conservation practices under this program are developed initially at the local level by ASC State and county committees, the Soil Conservation Service, and the Federal Forest Service. Representatives of the land-grant institutions, the Farmers Home Administration, State conservation committees, and other State and Federal agricultural agencies also participate in these determinations.

The recommendations of these groups are used as the basis to formulate joint recommendations to the Agricultural Stabilization and Conservation Service in Washington. From these recommendations, the various agencies of the Department in Washington develop and recommend to the Secretary of Agriculture a national program. State and local people then develop their local programs within the structure of the national program approved by the Secretary. No practices are adopted and put into effect in any State or county unless approved by the local conservation groups.

In terms of accomplishments, this program has resulted in the planting of over 8 million acres of trees, the construction of over 2 million water impoundment structures, and the terracing of nearly 39 million acres of land. It has been our first line of protection through the years against floods, drought, dust storms, soil erosion, and other recurring onslaughts against our natural resources.

COMMITTEE RECOMMENDATIONS

For the agricultural conservation program the Committee recommends an appropriation of $180,739,000, the same as the fiscal year 1986 adjusted amount and an increase of $180,739,000 above the budget request.

Included in the Committee's recommendation is $18,069,000 for targeting of ACP funds, the same as the amount available for fiscal year 1986. Any increase in targeted funds over the $18,069,000 should be first submitted to the Congress in the form of a supplemental budget request.

The Committee has been advised that a number of States are not using their cost-sharing allocations and this occurs because some counties are setting cost-share ratios at a level farmers are having difficulty matching. The Committee will expect these States to review cost-share ratios in counties that are not using their allocations to see if the ratios need to be adjusted upward for the Federal share.

FORESTRY INCENTIVES PROGRAM

1986 appropriation	$11,891,000
1987 budget estimate	
Recommended in the bill	11,891,000
Comparison:	
1986 appropriation	
1987 budget estimate	+11,891,000

The forestry incentives program is authorized by the Cooperative Forestry Assistance Act of 1978 (Public Law 95-313). Its purpose is to encourage the development, management and protection of nonindustrial private forest lands. This program will be carried out by providing technical assistance and long-term cost-sharing agreements with private landowners.

COMMITTEE RECOMMENDATIONS

For the forestry incentives program the Committee recommends an appropriation of $11,891,000, the same as the fiscal year 1986 adjusted amount and an increase of $11,891,000 above the budget request.

WATER BANK PROGRAM

1986 appropriation	$8,371,000
1987 budget estimate	
Recommended in the bill	5,000,000
Comparison:	
1986 appropriation	−3,371,000
1987 budget estimate	+5,000,000

The Water Bank Act was signed into law on December 19, 1970, and amended by Public Law 96-182, approved January 2, 1980. Its purpose is to preserve and restore wetlands of the Nation in order to conserve surface waters and improve the habitat for migratory waterfowl. It authorizes ten-year agreements with annual payment to landowners to preserve such lands.

COMMITTEE RECOMMENDATIONS

For the water bank program the Committee recommends an appropriation of $5,000,000, a decrease of $3,371,000 below the fiscal year 1986 adjusted amount and an increase of $5,000,000 above the budget request.

COLORADO RIVER BASIN SALINITY CONTROL PROGRAM

1986 appropriation	
1987 budget estimate	
Recommended in the bill	$3,804,000
Comparison:	
1986 appropriation	+3,804,000
1987 budget estimate	+3,804,000

The Colorado River Basin salinity control program was established by section 101 of title II of the Colorado River Basin Salinity Control Act of 1974 (Public Law 93-320), as amended. The program is a cooperative endeavor by the Agricultural Stabilization and Conservation Service (ASCS), Soil Conservation Service (SCS), and Extension Service (ES). The program is to assist landowners and others in the Colorado River Basin in establishing on-farm irrigation management systems and related lateral improvement measures to decrease the salt load and sedimentation level in the Colorado River and to enhance the supply and quality of water available for use in the United States and the Republic of Mexico.

COMMITTEE RECOMMENDATIONS

In the past, this program has been funded from within the agricultural conservation program. The Committee recommends a separate appropriation for fiscal year 1987. By providing a separate appropriation, 30 percent of the funds may be reimbursed by States on a cost-share basis. The Committee expects that the Soil Conservation Service will continue to provide technical assistance. This program will allow for accelerated implementation of USDA on-farm projects to reduce salt loads and improve water quality. The Committee recommends an appropriation of $3,804,000, approximately the same amount as available for fiscal year 1986 and $3,804,000 above the budget request.

TITLE III—DOMESTIC FOOD PROGRAMS

OFFICE OF THE ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES

1986 appropriation	$330,000
1987 budget estimate	[1] (358,000)
Recommended in the bill	330,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−28,000

[1] The 1987 budget proposed for this activity to be funded in a single account in Office of the Secretary.

The Office of the Assistant Secretary for Food and Consumer Services provides direction and coordination in carrying out the laws enacted by the Congress with respect to the Department's food and consumer activities. The Office has oversight and management responsibilities for the Food and Nutrition Service, and Human Nutrition Information Service.

COMMITTEE RECOMMENDATIONS

For the Office of the Assistant Secretary for Food and Consumer Services the Committee recommends an appropriation of $330,000, the same as the fiscal year 1986 adjusted amount and a decrease of $28,000 below the budget request.

The Committee is aware of confusion over certain sections of the Compact of Free Association Act of 1985 (Public Law 99-239). Under this Act the Federated States of Micronesia and the Marshall Islands will attain a new status. The Committee believes that certain sections of the Compact legislation were "entitlements" or activities that would be funded on a transitional basis. Accordingly, the Committee does not concur with proposed language for the Food and Nutrition Service programs that would eliminate participation by the Freely Associated States. The Committee has provided funding where necessary to allow the Department to continue to participate in these activities and fully expects the Department to provide commodities and services where requested until these issues are satisfactorily resolved.

FOOD AND NUTRITION SERVICE

The Food and Nutrition Service was established August 8, 1969, by Secretary's Memorandum No. 1659 and Supplement 1. It represents an organizational effort to eliminate hunger and malnutrition in this country. Food assistance programs are intended to provide access to a nutritionally adequate diet for families and persons with low incomes, and encourage better eating patterns among the Nation's children. These programs include:

Special milk program.—Assistance is provided to the States for making reimbursement payments to eligible schools and child-care institutions which institute or expand milk service in order to increase the consumption of fluid milk by children.

School lunch programs and nonschool food programs.—Federal assistance is provided to the States, Puerto Rico, Virgin Islands, and Guam for use in serving nutritious lunches and breakfasts to children attending schools of high school grades or under, to children of preschool age in child-care centers, and children in other institutions in order to improve the health and well/being of the Nation's children, and broaden the markets for agricultural food commodities.

Food stamp program.—This program is aimed at making more effective use of the Nation's food abundance and at improving nutritional standards of needy persons and families through the issuance of food coupons which may be used in retail stores for the purchase of foods.

Nutrition assistance for Puerto Rico.—The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) authorized a block grant for nutrition assistance to Puerto Rico which gives the Commonwealth broad flexibility in establishing a food assistance program that is specifically tailored to the needs of its low-income households.

Feeding program for women, infants and children (WIC).—This program safeguards the health of pregnant, postpartum and breastfeeding women, infants and children who are at nutritional risk because of inadequate nutrition and inadequate income. Delivery of supplemental food may be done through health clinics, vouchers redeemable at retail food stores, or other approved methods which a cooperating State health agency may select.

Commodity supplemental food program (CSFP).—This program provides supplemental foods to infants and children up to age 6, and to pregnant, postpartum and breast-feeding women who are at nutritional risk, have low incomes, and reside in approved project areas. In addition, this program is operating commodity distribution projects directed at low-income elderly persons.

Food donations program for selected groups—Agricultural commodities are provided to needy persons on Indian reservations and to residents of the Pacific Trust Territory of Palau and Free Associated States to improve nutrition. Cash assistance is provided to distributing agencies to assist them in meeting administrative expenses incurred. Commodities or cash in lieu of commodities are provided to assist nutrition programs for the elderly.

Temporary emergency food assistance program.—This program provides grant funds to State agencies to assist in the cost of distributing surplus CCC commodities donated to needy individuals.

Food program administration.—This represents all salaries and Federal operating expenses of the Food and Nutrition Service. As of September 30, 1985, there were 2,047 full-time permanent and 134 part-time and temporary employees in the agency. There were 549 employees in 122 field locations, 991 in seven regional offices, and 641 in the Washington headquarters.

Funds for strengthening markets, income and supply (section 32).—This includes the donation of commodities purchased under the surplus removal activities of the Agricultural Marketing Service. Special programs provide food to needy children and adults who are suffering from general and continued hunger.

CHILD NUTRITION PROGRAMS

	Appropriation	Transfer from sec. 32	Total
1986 appropriation	[1] $842,404,000	($3,271,592,000)	($4,113,996,000)
1987 budget estimate	230,413,000	(3,227,923,000)	(3,458,336,000)
Recommended in the bill	[2] 937,680,000	(3,295,937,000)	(4,233,617,000)
Comparison:			
1986 appropriation	+95,276,000	(+24,345,000)	(+119,621,000)
1987 budget estimate	+707,267,000	(+68,014,000)	(+775,281,000)

[1] Of this amount $240,949,000 shall be available only to the extent an official budget request is transmitted to Congress.

[2] Of this amount $775,281,000 shall be available only to the extent an official budget request is transmitted to Congress.

Working through State agencies, the Food and Nutrition Service provides Federal assistance in cash and commodities for use in preparing and serving nutritious meals to children while they are attending school, residing in service institutions, or participating in other organized activities away from home. The purpose is to help maintain the health and proper physical development of American children. The child nutrition account includes the national school lunch program, the school breakfast program, and the meal programs for nonschool activities. Grants are also made for nutritional training and surveys and for State administrative expenses. Under current legislation, most of these payments are made on the basis of reimbursement rates established by law applied to lunches and breakfasts actually served by the States.

COMMITTEE RECOMMENDATIONS

For the child nutrition programs the Committee recommends a total of $4,233,617,000, an increase of $119,621,000 above the amount available for fiscal year 1986 and an increase of $775,281,000 above the budget request. Of the total amount recommended, $937,680,000 is by direct appropriation and $3,295,937,000 is by transfer from section 32 funds. Compared with the budget request, the recommendation includes an increase of $68,014,000 in the section 32 transfer and a corresponding decrease in the direct appropriation, as a result of current estimates of customs receipts.

The budget request was based on expected savings which would result from a variety of legislative proposals. Testimony before the Committee shows that the budget for the child nutrition programs would require at least an additional $775,281,000 above the amount requested if there were no assumptions of savings through proposed legislation.

The Committee's recommendation includes the full amount that will be required to carry out existing programs and provides that $775,281,000 shall be available only to the extent an official budget request is transmitted to Congress. This amount represents the amount the budget request is understated based on legislative proposals. This recommendation is made because the Department must continue to conduct these programs under current law. The

Committee's recommendation provides for the child nutrition programs at the following annual rates:

TOTAL OBLIGATIONAL AUTHORITY

	Amount
Child nutrition programs:	
School lunch program	$557,092,000
Special assistance for free and reduced price lunches	2,355,993,000
School breakfast program	436,423,000
State administrative expenses	51,217,000
Summer food service program	132,748,000
Child care food program	541,733,000
Commodity procurement	150,941,000
Nutrition studies and surveys	2,470,000
Nutrition education and training	5,000,000
Total available	$4,233,617,000

If legislative proposals are not approved, the Department should submit a budget request at the earliest possible date to continue all of the child nutrition programs, including nutrition education and training, at the full performance level indicated above.

The Committee again rejects proposals to accomplish legislative changes through appropriations bill language.

SPECIAL MILK PROGRAM

1986 appropriation	$11,500,000
1987 budget estimate	....
Recommended in the bill	14,869,000
Comparison:	
1986 appropriation	+3,369,000
1987 budget estimate	+14,869,000

This program is designed to increase the consumption of fluid milk by children in nonprofit schools of high school grade and under, child care centers, summer camps, and similar nonprofit institutions.

Funds are provided to State agencies to reimburse eligible participants for all or part of the cost of fluid milk consumed.

Under Public Law 97-35, participation in the program is restricted to schools and institutions that do not participate in another meal service program authorized by the Child Nutrition or School Lunch Acts.

COMMITTEE RECOMMENDATIONS

For the special milk program the Committee recommends an appropriation of $14,869,000, an increase of $3,369,000 above the amount appropriated for fiscal year 1986 and $14,869,000 above the budget request. There will be a carryover of $1,384,000 of 1986 funds available for obligation during 1987. These carryover funds, together with the recommended appropriation, will provide a program level of $16,253,000.

The Committee again rejects proposals to accomplish major legislative changes through appropriations bill language.

FEEDING PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC)

1986 appropriation	$1,580,494,000
1987 budget estimate	1,617,000,000

Recommended in the bill	1,671,500,000
Comparison:	
1986 appropriation	+91,006,000
1987 budget estimate	+54,500,000

This feeding program for women, infants and children (WIC) safeguards the health of pregnant and lactating women, and infants and children who are at nutritional risk because of inadequate nutrition and inadequate income.

COMMITTEE RECOMMENDATIONS

For the feeding program for women, infants and children (WIC) the Committee recommends an appropriation of $1,671,500,000, an increase of $91,006,000 above the fiscal year 1986 adjusted amount and an increase of $54,500,000 above the budget request. The Committee believes the significant increase provided for the WIC program should adequately cover the needs of the program. But because of the Committee's strong support for WIC, it has reserved $25,500,000 of its 302(b) allocation to be used specifically for supplemental funding for the program if necessary.

In early 1986, the Department released the long awaited study reporting on the impacts of the WIC program. The report had some significant positive findings concerning the program's impact on maternal and child health. Highlights of the study include:

> Women who participated in WIC had longer pregnancies leading to fewer premature births. Prematurity is one of the leading causes of death among infants.
>
> WIC participation resulted in a significant increase in the number of women seeking prenatal care. Early and adequate prenatal care is one of the most important factors affecting pregnancy outcome.
>
> Women at highest risk (minorities and women with less education) benefited most from WIC.
>
> WIC participation contributed to a statistically significant decline in late fetal deaths, about a 20-33⅓ percent reduction.
>
> WIC significantly increased the head circumference of infants whose mothers received WIC during pregnancy. Head size reflects brain growth.
>
> The greatest dietary benefits were among children at highest risk: children who are poor, short, black or in families consisting only of the mother and the preschool child.
>
> Children enrolled in WIC were better immunized and were more likely to have a regular source of medical care.
>
> WIC participation appears to lead to better cognitive performance in children. Four- and five-year-old children whose mothers participated in WIC during pregnancy had better vocabulary scores and children who participated in WIC after their first birthday had better digit memory.

The Committee is pleased with the findings of the report but is concerned with reports that there are still significant numbers of women and children not being reached by the program. Accordingly, the Committee's recommendation allows for expansion of the program above current services.

The Committee understands that the Department is in the process of developing a new formula for the distribution of funds under the special supplemental food program for women, infants and children (WIC) for fiscal year 1987. In implementing the new allocation formula, the Committee does not believe that the Department should use the cost of a State's food package in calculating a State's allocation. While the Committee believes that the Department should take all reasonable steps to insure that the States control program costs while offering a nutritionally balanced food package, the Committee does not believe States should be penalized because of variations in food prices over which they have no control. Therefore, the Committee expects the Department not to use food costs in any new WIC allocation formula.

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

1986 appropriation	$36,777,000
1987 budget estimate	38,605,000
Recommended in the bill	41,497,000
Comparison:	
1986 appropriation	+4,720,000
1987 budget estimate	+2,892,000

The commodity supplemental food program (CSFP) provides supplemental food to infants and children up to age 6, and to pregnant, postpartum and breast-feeding women who are at nutritional risk, have low incomes, and reside in approved project areas. In addition, this program is operating commodity distribution projects directed at low-income elderly persons.

COMMITTEE RECOMMENDATIONS

For the commodity supplemental food program the Committee recommends an appropriation of $41,497,000, an increase of $4,720,000 above the fiscal year 1986 adjusted amount and an increase of $2,892,000 above the budget request.

The amount recommended is to continue a minimum caseload of approximately 146,800 mothers, infants and children, and senior citizen participant levels being served as a result of expansion in the program fiscal year 1986. Any funds available beyond this caseload level should go toward increasing participant levels. The Committee is concerned about reports of growing waiting lists of people wanting to be included in the CSFP program and what appears to be blatant disregard of congressional intent by the action of the Department in reducing current caseload. To purchase commodities from CCC with CSFP funds is an inappropriate use of funds, and the Committee has provided bill language prohibiting such a transfer. The Committee expects that surplus commodities in the CCC inventory will be donated to the CSFP program, both as a part of the regular food package and as bonus items when available.

FOOD STAMP PROGRAM

1986 appropriation	$12,637,703,000
1987 budget estimate	12,343,579,000
Recommended in the bill	12,684,665,000
Comparison:	
1986 appropriation	+46,962,000
1987 budget estimate	+341,086,000

The food stamp program, authorized by the Food Stamp Act of 1964, attempts to alleviate hunger and malnutrition among low-income persons by increasing their food purchasing power. Eligible households receive food stamps with which they can purchase food through regular retail stores. They are thus enabled to obtain a more nutritious diet than would be possible without food stamp assistance.

Participating households receive free food stamps in amounts determined by household size and income. Since March 1975, food stamp projects have been established throughout the country. State social service agencies assume responsibility for certifying eligible households and issuing the stamps through suitable outlets. The Food and Nutrition Service establishes various household stamp allotments.

Authorized grocery stores accept the stamps as payment for food purchases and forward them to commercial banks for cash or credit. The stamps flow through the banking system to a Federal Reserve Bank for redemption out of a special account maintained by the U.S. Treasury Department.

The Food Security Act of 1985, Public Law 99-198, enacted on December 23, 1985, made significant changes to the food stamp program. These include:

Deductions from income.—The earned income deduction was raised from 18% to 20% of earnings. The excess shelter/dependent care deduction was separated into two deductions, an unindexed child care deduction with a $160 ceiling, and an indexed excess shelter deduction (with its ceiling raised to $147).

Resources.—The assets limits for households without a member 60 years or older was raised from $1,500 to $2,000. The $3,000 limit for households with a member 60 years or older was extended to households that contained a single member.

State and local sales taxes.—States are prohibited from participating in the food stamp program after October 1, 1987, if they charge a sales tax on food stamp purchases.

Categorical eligibility.—The income and resource eligibility requirements were waived for any household all of whose members receive AFDC, SSI, or other disability payments.

Farm self-employment income.—Household income shall be reduced to the extent that the cost of producing self-employment income exceeds the income derived from self-employment as a farmer.

Monthly reporting and retrospective budgeting (MRRB).—Mandatory MRRB is limited to households with earnings or recent work history. Households with migrant workers or elderly members who have no earned income are to be calculated prospectively. MRRB is optional for all other households.

Employment and training program.—All States are required to implement an employment and training program, approved by the Secretary of Agriculture, by April 1, 1987. Programs can include job search, job search training, workfare, employment or training experience, or other projects approved by the Secretary.

Charges for redemption of coupons.—Financial institutions are prohibited from charging a redemption fee on retail food stores that submit coupons in accordance with Federal Reserve requirements (other than cancellation).

Quality control.—The Department of Agriculture and the National Academy of Sciences are each required to publish studies on how best to operate the quality control system and sanction States for excessive errors. Provides a six-month (through June 23, 1986) moratorium on the imposition of reduction in payments to State agencies based on the quality control system.

ADP activities.—The Department of Agriculture is to develop a model ADP plan for public comment by October 1, 1986 (final rule by February 1, 1987). State agencies that do not have ADP plans are required to submit a plan to the Department of Agriculture by October 1, 1987. All States are required to implement their plans by October 1, 1988. The Department is required to report to the Congress on the sufficiency of the State plans by April 1, 1988.

ADMINISTRATIVE COSTS

All direct and indirect administrative costs incurred for certification of households, issuance of food coupons, quality control, outreach and fair hearing efforts are shared by the Federal Government and the States on a 50-50 basis. Federal funding is provided for 75 percent of automation costs incurred by State agencies to improve food stamp operations and 75 percent of the costs of State food stamp program investigations and prosecutions.

In addition, State agencies which reduce quality control error rates below 5 percent receive a 60 percent match of their administrative expenses. Also, State agencies are paid up to 100 percent of the costs of administering the program on Indian reservations. The food stamp program is in operation in all 50 States, the Virgin Islands, Guam, and the District of Columbia.

The Food Stamp Act Amendments of 1982 provided for the establishment of a system for levying fiscal sanctions on States which fail to reduce high error rates below a prescribed target.

PROGRAM COSTS

Other program costs, which are borne entirely by the Federal Government, include printing and transporting coupons to authorized State agencies and processing and destruction of redeemed coupons by Federal banks.

The total cost of this program has greatly increased over past years. The following table indicates total program costs by fiscal year from 1962 to the present:

FOOD STAMP APPROPRIATIONS

[In thousands]

Fiscal year:	*Budget authority*
1962	[1] $48,900
1963	[1] 50,000
1964	[1] 45,000
1965	[2] 60,000
1966	[3] 100,000
1967	[4] 139,525
1968	[5] 185,000
1969	280,000

1970	610,000
1971	1,679,000
1972	2,289,214
1973	2,500,000
1974	3,000,000
1975	4,847,600
1976	5,203,000
1977	5,514,000
1978	5,627,000
1979	6,679,200
1980	9,191,000
1981	11,480,000
1982	11,300,000
1983	12,005,141
1984	11,739,005
1985	11,768,856
1986	11,817,653

[1] Pilot program with sec. 32 funding.
[2] $35,000,000 of sec. 32 funds, $25,000,000 by direct appropriations.
[3] Includes $2,000,000 reappropriation.
[4] Includes $29,549,000 reappropriation.
[5] Includes $23,200,000 reappropriation.

COMMITTEE RECOMMENDATIONS

For the food stamp program the Committee recommends an appropriation of $12,684,665,000, an increase of $46,962,000 above the fiscal year 1986 adjusted amount and $341,086,000 above the budget request. Since the Committee proposes to combine the food stamp and block grant for nutrition assistance for Puerto Rico into a single account, comparisons are based on combined accounts.

The budget request for food stamps was based on expected savings which would result from a variety of legislative proposals. The Committee again rejects proposals to accomplish legislative changes through appropriations bill language. Testimony before the Committee shows that the budget for the food stamp program would require at least an additional $313,336,000 above the amount requested if there were no assumption of savings through proposed legislation. In addition, the funding requirement for this program is extremely sensitive to change in economic conditions, especially change in the rate of unemployment. Therefore, the Committee recommends the full amount of the budget request ($11,518,579,000), plus the amount required to fully fund the program under current law ($313,336,000), plus not to exceed $852,750,000 for nutrition assistance for Puerto Rico.

The Administration had proposed funding the Puerto Rico block grant at $825,000,000 in fiscal year 1987. This is the same relative level for the block grant since 1982. The Committee understands that if the block grant were to remain at the $825,000,000 level in fiscal year 1987, if would provide for 16 percent less in food purchases than in 1982, when the program was first implemented. The Committee recommends that of the amount appropriated for the food stamp program, $852,750,000 be available for the nutrition assistance block grant to Puerto Rico, the same as the amount authorized.

The Committee also recommends placing $345,000,000 of the total amount appropriated for the food stamp program in reserve, to be available if needed after the Secretary takes regulatory and administrative actions available to him under the law to tighten up this program. All or part of this reserve may also be saved if the Nation's economic performance during fiscal year 1987 exceeds the economic assumptions upon which this budget request is based.

As in the past, the Committee expects that this entire appropriation will be subject to any work registration or workfare requirements as may be required by law.

The Committee reiterates its directive for the Department to notify all appropriate committees of Congress in advance of initiating any new research, evaluation, or demonstration project during fiscal year 1987.

Of great concern to the Committee in developing its recommendations was testimony that the State error liability collection for the last five years is only slightly more than $1,000,000, yet the budget request assumes collection for fiscal year 1987 alone of over $169,000,000. The Committee finds this estimate to be based on less than sound reasoning. To the extent that these collections do not materialize, the funding requirement for the program may exceed the budget request. The Committee expects to be kept advised as the fiscal year progresses.

FOOD STAMP APPEALS BOARD

The Committee is concerned about the Food and Nutrition Service's intention to eliminate the State Food Stamp Appeals Board. Currently, when FNS makes a monetary claim against a State for penalties for excessive error rates or for reimbursement for lost food stamps, a State is entitled to have the claim reviewed by the State Food Stamp Appeals Board. In the past, these cases have been reviewed in fair and impartial hearings by panels comprised of up to three officials from USDA agencies other than FNS. The Committee believes that States should continue to be entitled to this type of review process. Therefore, the Committee expects FNS to continue its current administrative procedures, including an opportunity for national review.

FOOD DONATIONS PROGRAM FOR SELECTED GROUPS

1986 appropriation	$193,589,000
1987 budget estimate	187,300,000
Recommended in the bill	193,589,000
Comparison:	
1986 appropriation	
1987 budget estimate	+6,289,000

The Agriculture and Consumer Protection Act of 1973, as amended (7 U.S.C. 612c (note)), provides for a directly funded food distribution program for needy persons. This program attempts to alleviate hunger and malnutrition in low-income households by providing nutritious agricultural commodities to eligible persons. This program also funds commodity support for elderly feeding programs under title III of the Older Americans Act of 1965. Donated foods are used in meals served in the senior citizens centers of similar settings. States may elect cash in lieu of commodities.

COMMITTEE RECOMMENDATIONS

For the food donations programs the Committee recommends an appropriation of $193,589,000, the same as the fiscal year 1986 adjusted amount and an increase of $6,289,000 above the budget request.

The Committee recommends an appropriation of $137,157,000 for the elderly feeding program. The Committee again rejects proposals to accomplish legislative changes through appropriations bill language.

The Committee is concerned about the Department's policy which limits the use of bonus commodities by the elderly feeding programs. At the present time, the programs which use cash in lieu of commodities cannot participate fully in the bonus commodity program.

The Committee believes that this policy unnecessarily constrains the effectiveness of the elderly feeding programs in meeting the nutritional needs of the elderly and hinders the Department's ability to provide for the maximum distribution of bonus commodities. Therefore, the Committee expects the Department to permit all elderly feeding programs to receive all types of bonus commodities, including red meat purchased by the Department.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

1986 appropriation	$50,000,000
1987 budget estimate	
Recommended in the bill	50,000,000
Comparison:	
1986 appropriation	
1987 budget estimate	+50,000,000

Title II of Public Law 98-8, enacted March 3, 1983, authorized and appropriated funds for costs of intrastate storage and transportation of CCC-donated commodities. Public Law 99-198, enacted December 23, 1985, authorized $50 million for this purpose in fiscal years 1986 and 1987.

Funds are administered by the Food and Nutrition Service through grants to State agencies which operate commodity distribution programs. Allocation of the funds to States is based on a formula which considers the States' unemployment rate and the number of persons with incomes below the poverty level.

In fiscal year 1985, almost $1 billion worth of surplus commodities were distributed to assist needy individuals. Donations will continue in fiscal year 1986. Precise levels will depend upon the availability of surplus commodities and requirements regarding displacement. Over $56.8 million was used in fiscal year 1985 to help State and local authorities with the storage and distribution costs of providing surplus commodities to needy individuals. The $47.8 million available for fiscal year 1986 has been allocated to the States for their use.

COMMITTEE RECOMMENDATIONS

For the temporary emergency food assistance program the Committee recommends an appropriation of $50,000,000 the same as the fiscal year 1986 adjusted amount and $50,000,000 above the budget request.

The Committee rejects the Administration's proposal to terminate the program.

FOOD PROGRAM ADMINISTRATION

1986 appropriation	$78,403,000
1987 budget estimate	86,100,000
Recommended in the bill	82,578,000
Comparison:	
1986 appropriation	+4,175,000
1987 budget estimate	−3,522,000

The food program administration appropriation provides for all of the Federal operating expenses of the Food and Nutrition Service, which includes the child nutrition programs; special milk program; feeding program for women, infants and children (WIC); commodity supplemental food program; food stamp program; nutrition assistance for Puerto Rico; food donations for selected groups; and temporary emergency food assistance program.

The major objective of food program administration is to efficiently and effectively carry out the food assistance programs mandated by law. This is to be accomplished by the following: (1) giving clear and consistent guidance and supervision to State agencies and other cooperators; (2) assisting the States and other cooperators by providing program, managerial, financial, and other advice and expertise; (3) measuring, reviewing, and analyzing progress toward objectives; and (4) carrying out regular support functions.

COMMITTEE RECOMMENDATIONS

For food program administration the Committee recommends an appropriation of $82,578,000, an increase of $4,175,000 above the fiscal year 1986 adjusted amount and $3,522,000 below the budget request.

The Committee concurs in the program increase proposed in the budget.

HUMAN NUTRITION INFORMATION SERVICE

1986 appropriation	$12,890,000
1987 budget estimate	6,876,000
Recommended in the bill	8,976,000
Comparison:	
1986 appropriation	−3,914,000
1987 budget estimate	+2,100,000

The Human Nutrition Information Service was established October 1, 1981, by Secretary's Memorandum No. 1000-1, issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). The activities of this agency include research, analysis, and technical assistance.

COMMITTEE RECOMMENDATIONS

For the Human Nutrition Information Service the Committee recommends $8,976,000, a decrease of $3,914,000 below the fiscal year 1986 adjusted amount and $2,100,000 above the budget request.

The Committee's recommendation includes $2,100,000 to continue the Continuing Survey of Food Intakes of Individuals (CSFII). This survey provides data on the adequacy of diets of the general population and particular groups who may be at nutritional risk.

The Committee strongly supports the position of the Human Nutrition Information Service as the principal Federal agency in the study and dissemination of nutritional information. Therefore, all agencies in this bill will continue to coordinate their activities with the Administrator of the Human Nutrition Information Service to ensure that the Federal Government speaks with one voice in issuing the most accurate available nutritional information. Further, the Committee will expect the Human Nutrition Information Service to provide the policy basis for issuing Federal nutritional guidance to the public.

TITLE IV—INTERNATIONAL PROGRAMS

FOREIGN AGRICULTURAL SERVICE

1986 appropriation	$79,432,000
1987 budget estimate	71,882,000
Recommended in the bill	81,109,000
Comparison:	
1986 appropriation	+1,677,000
1987 budget estimate	+9,227,000

The Foreign Agricultural Service was established March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690, approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service.

The primary function of this organization is to help American agriculture in maintaining and expanding foreign markets for agricultural products so vital to the economic well-being of the Nation. It maintains a worldwide agricultural intelligence and reporting service to assist U.S. agricultural industry in its export operations through a continuous program of analyzing and reporting foreign agricultural production, markets, and policies. It attempts to develop foreign markets for U.S. farm products through administration of special export programs and through helping to secure international trade conditions that are favorable toward our products.

COMMITTEE RECOMMENDATIONS

For the Foreign Agricultural Service the Committee recommends an appropriation of $81,109,000, an increase of $1,677,000 above the fiscal year 1986 adjusted amount and an increase of $9,227,000 above the budget request. The Committee's recommendation restores the foreign market development program to the fiscal year 1986 level. The increase over the amount available for fiscal year 1986 includes $773,000 for foreign agricultural affairs, $77,000 for foreign market information and $827,000 for the agricultural trade offices.

The Committee will expect the Department to survey the market potential and development of irradiated fruits, vegetables, and other commodities in the international marketplace and report their findings to the Committee.

PUBLIC LAW 480

	Appropriation	Program level
1986 appropriation	$1,243,294,000	($1,604,028,000)
1987 budget estimate	1,164,400,000	(1,544,400,000)
Recommended in the bill	1,182,718,000	(1,562,718,000)

	Appropriation	Program level
Comparison:		
1986 appropriation	−60,576,000	(−41,310,000)
1987 budget estimate	+18,318,000	(+18,318,000)

A number of statutes provide for the facilities of the Commodity Credit Corporation to be used in carrying out programs for the export of surplus agricultural commodities and authorizes appropriations to reimburse the Corporation for costs incurred in connection with such programs.

Prior to fiscal year 1962, the Corporation was reimbursed for the costs of these activities by appropriation subsequent to incurrence of the costs. Beginning in fiscal year 1962, the Congress added funds to place these activities on a pay-as-you-go basis, appropriating for estimated costs.

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83d Congress, as amended:

Sale of agricultural commodities for foreign currencies (title I) (7 U.S.C. 1701-1715).—Under this title the United States accepts foreign currency in payment for sales of available U.S. farm products. These currencies may be used for such purposes as agricultural market development, payment of U.S. obligations abroad, and military housing, among other specified purposes. If regular appropriations of any Federal agency are available for any purpose for which foreign currencies are used, the agency must buy the currencies for dollars. These dollars are credited to the Commodity Credit Corporation and reduce Public Law 480 appropriations.

Sale of agricultural commodities for dollars on credit terms (title I) (7 U.S.C. 1701-1715).—This title provides for sales of U.S. farm products under long-term credit arrangements. The major objective is to stimulate and increase sales for dollars through credit. The purpose is to expand international trade; to develop and expand export markets; and to encourage economic development in the developing countries. Agreements may be entered into for the delivery of available U.S. farm products for periods of up to 19 years. Agreements are with the governments of friendly nations, including financial institutions acting on behalf of such nations. Agreements may also be made with U.S. and foreign private traders. Repayments are made in U.S. dollars with interest for periods of up to 20 years, or in currencies convertible to dollars with interest for periods of up to 40 years. Interest is charged from the date of last delivery in each calendar year. Minimum rates of interest are set by law.

Sale of agricultural commodities for convertible foreign currencies to be used pursuant to section 108 (title I) (7 U.S.C. 1708).—Under this title sales may be financed for convertible foreign currencies which are then loaned to financial intermediaries in the recipient country pursuant to agreements whereby the intermediaries would re-loan the funds to promote private enterprise investment, develop new markets, pay U.S. obligations, or be converted to dollars.

Furnishing commodities to carry out the Food for Progress Act of 1985 (title I) (7 U.S.C. 1736).—A new program, Food for Progress, is authorized through 1990 to support agricultural policy reform in developing countries. Funds appropriated to carry out title I may be used to furnish commodities to carry out the Food for Progress Act of 1985.

Commodities disposed of and other costs incurred in connection with donations abroad (title II) (7 U.S.C. 1721-1726).—Under this title donations of available agricultural commodities, not limited to stocks held by the Commodity Credit Corporation, are made to assist friendly nations and friendly peoples, and to promote economic and community development in underdeveloped countries. Up to $7.5 million each year may be spent to buy foreign currencies accruing under title I. These funds are to meet special costs (other than personnel and administrative) of cooperating groups. The Corporation pays ocean freight on shipments under this title.

Food for development program (title III) (7 U.S.C. 1727-1727F).—The commodity estimate for title I includes the cost of financing commodities furnished under food for development programs (title III). Under this title, available commodities may be furnished for periods of from 1 to 5 years, following a Presidential determination of country eligibility, formulation of approved development projects of activities, and subject to an annual review and report of activities and progress under each agreement.

Proceeds obtained from the sale of these commodities shall be held in a special account, where practicable, to be disbursed for such purposes as approved in the agreement with each country, and such disbursements shall be considered as payment for the purposes of section 103(b) of this Act. No other payment shall be required as part of any agreement to finance the sale of agricultural commodities under a food for development program.

COMMITTEE RECOMMENDATIONS

For Public Law 480 the Committee recommends a total program level of $1,562,718,000, a decrease of $41,310,000 below the fiscal year 1986 program level and $18,318,000 more than the budget request. The total program level is supported by a direct appropriation of $564,400,000 for titles I and III and $618,318,000 for title II, for a total appropriation of $1,182,718,000, a decrease of $60,576,000 below the fiscal year 1986 adjusted amount and $18,318,000 more than the budget request.

The difference between appropriated funds and the total program level results from carryover balances, loan payments, and transfers from the Commodity Credit Corporation. To make Commodity Credit Corporation funds available, the Committee has included language requested by the Department allowing for the transfer of such funds. The Committee has recommended language in the bill to allow for a 15 percent transfer between titles I and II to meet unforeseen circumstances. The Committee feels that a 15 percent transfer is appropriate rather than the 10 percent transfer provided in the 1986 bill.

The Committee stresses that the title I program plays a role in promoting the export of U.S. agricultural products and for that reason should be considered an agricultural sales program and not a foreign aid program.

The Committee will also expect the Department, to the extent possible, to use title I funds to sell U.S. farm products for the purpose of expanding international trade, developing and expanding export markets, and encouraging economic development in foreign countries as the law provides.

In fiscal year 1988, the Committee will expect the Department's explanatory notes to contain a section on title III that covers both the accomplishments and the plans for the budget year.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

1986 appropriation	$5,131,000
1987 budget estimate	3,051,000
Recommended in the bill	3,513,000
Comparison:	
1986 appropriation	−1,618,000
1987 budget estimate	+462,000

The Office of International Cooperation and Development (formerly International Development Staff) was established by Secretary's Memorandum No. 1947, dated May 1, 1978. The Office of International Cooperation and Development (OICD) is responsible for coordinating, planning, and directing the Department's programs in international development and technical cooperation in food and agriculture.

In conducting such programs, OICD utilizes the resources of USDA agencies and maintains close relationships with AID, and other government agencies, land-grant institutions, and international organizations. OICD activities include technical assistance to developing countries, the arrangement of training of international participants in the United States and overseas, and the implementation of the development aspects of food assistance programs. Services provided are financed largely by reimbursements of funds from AID, other institutions, and contracting nations.

COMMITTEE RECOMMENDATIONS

For the Office of International Cooperation and Development the Committee recommends an appropriation of $3,513,000, a decrease of $1,618,000 below the fiscal year 1986 adjusted amount and an increase of $462,000 above the budget request. The Committee's recommendation does not include funds for the middle-income countries scholarship program due to funding constraints. No funds were requested for this program.

ASSOCIATE EXPERTS PROGRAM

The Committee again expresses its support for U.S. participation in the Associate Experts Program. The United States provides substantial resources to U.N. agencies such as the Food and Agriculture Organization, the World Food Program, and the International Fund for Agricultural Development. Yet, it has been lax in making effective use of these organizations for training U.S. nationals in international food issues.

The Associate Experts Program is a way of providing such training in a highly cost effective manner, and last year this Committee encouraged OICD to work with ARS and APHIS to begin implementing U.S. participation on a trial basis.

The Department agrees with the Committee that the U.S. should participate in the program, and in this connection, the Committee is pleased to learn that the Agency for International Development has agreed to provide up to $150,000 in fiscal years 1987 and 1988 to support the participation of qualified U.S. citizens in the Associate Experts Program.

AID funding is contingent upon USDA providing at least an equivalent amount of funding. Thus, the Committee will expect an early favorable response from USDA to AID.

TITLE V—RELATED AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

SALARIES AND EXPENSES

1986 appropriation	[1] $377,606,000
1987 budget estimate	393,778,000
Recommended in the bill	410,540,000
Comparison:	
1986 appropriation	+32,934,000
1987 budget estimate	+16,762,000

[1] Does not reflect $6,634,000 available subject to budget request.

The programs of the Food and Drug Administration (FDA) are designed to achieve a single overall objective: consumer protection. FDA's mission is to ensure that (1) food is safe, pure, and wholesome; (2) human and animal drugs, biological products, and medical devices are safe and effective; and (3) radiological products and use procedures do not result in unnecessary exposure to radiation.

To accomplish its mission, FDA: sets food and product standards; evaluates the safety and efficacy of new drugs before they are marketed; conducts and sponsors research studies to detect health hazards and violations of consumer laws or regulations; informs business firms and consumers about FDA-related topics; works with State and local agencies to develop programs that will supplement or complement those of FDA; maintains surveillance over foods, drugs, and electronic products to ensure that they are safe, effective, and honestly labeled; and takes legal action where necessary to remove violative products from the marketplace and to prosecute firms or individuals that violate the law.

COMMITTEE RECOMMENDATIONS

The budget request again proposed combining all appropriations for the Food and Drug Administration into a single account. As it has before, the Committee recommends maintaining separate accounts in order to keep closer track of the categories of expenditures.

For salaries and expenses of the Food and Drug Administration the Committee recommends an appropriation of $410,540,000, an increase of $32,934,000 above the fiscal year 1986 adjusted amount and $16,762,000 above the budget request.

The Administration's budget proposal again reflects collections from user fees. For fiscal year 1986 the Congress in the FDA appropriation provided: "That none of these funds shall be used to develop, establish, or operate any program of user fees authorized by 31 U.S.C. 9701." Although FDA has taken a different tack in proposing user fees be authorized through separate specific legislation, the Committee is concerned that FDA's role in approving new drug applications is of direct public benefit and, as such, the process should not be burdened with user fees.

The budget proposal suggests that $25,800,000 would be collected in user fees and returned to the agency for its use. The budget also indicates that of that amount, $11,400,000 would be to offset routine operating costs. Since the proposed user fee legislation has not yet been introduced at the time of this writing, the Committee believes it highly speculative that such a proposal could be introduced, accepted, enacted and implemented before fiscal year 1987. Accordingly, in the Committee's considerations for FDA, it added to the adjusted fiscal year 1986 base the $11,400,000 shortfall in funds the FDA would have if user fee legislation is not enacted. Also, in considering a base level, the Committee included the $6,634,000 that remains available to FDA in fiscal year 1986 subject to a budget request. The Committee understands that FDA is in critical need of these funds, but the Office of Management and Budget refuses to request the funds previously made available by Congress.

Because of the nature of the FDA role in providing safe products to ensure the well-being of the general public, the Committee has provided a general increase of $14,400,000. This increase is to go toward decreasing the time for new product approval for drugs and medical devices and radiological products; and to the food safety and food economics programs to enhance the capability of those programs to provide a nutritionally adequate and safe food supply to the Nation. The increase should be divided among the programs proportional to the budget request of each program.

Within the amount available is $5,200,000 for orphan product work, of which not less than $3,500,000 shall be available only for orphan product grants and contracts.

The Committee agrees with the budget request for Acquired Immune Deficiency Syndrome (AIDS) work. The Committee does not agree with the proposed legislative language to authorize transfer of FDA funds to the "Priority Disease Control and Research Projects." This language could easily lead to the use of funds for purposes other than Congress intended.

On May 30, 1986, the Commissioner of Food and Drugs decided to close five laboratories across the country. The first closings are to occur in fiscal year 1987. The Committee is aware of the fact that it initially costs a considerable amount of money to close a facility due to contract and lease termination costs and the relocation of many employees. The fiscal year 1987 budget request includes no funds for these costs. The Committee directs that no laboratory closings occur in fiscal year 1987, and that FDA submit with its fiscal year 1988 budget request a detailed estimate of costs versus savings for each of the laboratories.

Testimony presented to the Committee indicated that the Food and Drug Administration inspects only 3-5 percent of the food products imported into the United States to determine if illegal chemicals have been applied to these products. The Committee is concerned about the potential health risks to American consumers due to use of such illegal chemicals on food products imported into the United States. The Committee directs the Food and Drug Administration to review its current monitoring and inspection procedures for food imports, and to submit its recommendations to strengthen its procedures to the Committee by March 1, 1987.

BUILDINGS AND FACILITIES

1986 appropriation	$1,379,000
1987 budget estimate	1,450,000
Recommended in the bill	1,879,000
Comparison:	
1986 appropriation	+500,000
1987 budget estimate	+429,000

The buildings and facilities account is established for repair and improvement of existing facilities.

COMMITTEE RECOMMENDATIONS

For buildings and facilities of the Food and Drug Administration the Committee recommends an appropriation of $1,879,000, an increase of $500,000 above the fiscal year 1986 adjusted amount and an increase of $429,000 above the budget request.

The Committee is aware of the critical need for lodging facilities at the National Center for Toxicological Research. The master plan for the NCTR provides for the conversion of an existing building at the Center to be utilized by postgraduates, visiting scientists and others not employed by FDA. Accordingly, the Committee recommends $500,000 for construction of dormitory type facilities at the NCTR.

RENTAL PAYMENTS, FDA

1986 appropriation	$24,627,000
1987 budget estimate	28,372,000
Recommended in the bill	24,627,000
Comparison:	
1986 appropriation	....
1987 budget estimate	−3,745,000

Annual appropriations are made to agencies of the Federal Government so that they can pay the General Services Administration fees for rental of space and for related services.

The budget estimates are based on GSA's projection of what it will bill agencies in the budget year. The agencies have no influence or control over how GSA sets their rates. Charges paid by agencies go as rental of buildings, repairs and alterations, and acquisition of new facilities. The concept behind rental payments charges is that all agencies pay the market value of the space they occupy, so that GSA will have the funds available to provide, in an efficient and coordinated way, for overall Federal space needs. However, in practice this concept means that agencies are paying prevailing commercial rental rates in order to subsidize the inflated cost of new construction and newly leased space, and to provide entirely for vacant space in GSA's inventory.

COMMITTEE RECOMMENDATIONS

For rental payments, FDA the Committee recommends an appropriation of $24,627,000, the same as the fiscal year 1986 adjusted amount and a decrease of $3,745,000 below the budget request.

The budget estimates for rental payments are based on GSA's projection of what it will bill agencies for space in the budget year. The agencies have no influence on how GSA sets these rates. Considering the severe fiscal contraints the Committee is facing, it chooses to provide only the amount allowed after the Sequestration Order provided in fiscal year 1986 by P.L. 99-177. The Committee urges GSA to reconsider its rates for fiscal year 1987.

INDEPENDENT AGENCIES

COMMODITY FUTURES TRADING COMMISSION

1986 appropriation	$27,983,000
1987 budget estimate	30,418,000
Recommended in the bill	29,161,000
Comparison:	
1986 appropriation	+1,178,000
1987 budget estimate	−1,257,000

The Commodity Futures Trading Commission (CFTC) administers the Commodity Exchange Act of 1936, as amended. The purpose of the Commission is to further the economic utility of futures markets by encouraging their efficiency, assuring their integrity, and protecting participants against abusive trade practices, fraud, and deceit. The objective is to enable the markets to better serve their designated function in providing a price discovery mechanism and as a means of offsetting price risk. In properly serving these functions, the futures markets contribute toward better planning, more efficient distribution and consumption, and more economical marketing.

COMMITTEE RECOMMENDATIONS

For the Commodity Futures Trading Commission the Committee recommends an appropriation of $29,161,000, an increase of $1,178,000 above the fiscal year 1986 adjusted amount and a reduction of $1,257,000 below the budget request.

The increase of $1,178,000 is the full increase requested by the Commission, however, the Committee reduced the fiscal year 1986 base to reflect the application of the Gramm-Rudman-Hollings reductions. The recommended increase of $1,178,000 will fund the 15 additional staff years requested by the Commission to increase enforcement and other activities.

The Committee recognizes the current economic stress being faced by the cattle producers and thus recommends that the Commodity Futures Trade Commission do all in its power to find any misuse of the cattle futures market with regard to manipulation of prices by an individual (s), corporations, or companies. The CFTC is hereby requested to respond quickly and decisively to any and all allegations of misuse of the cattle futures market.

FARM CREDIT ADMINISTRATION

LIMITATION ON REVOLVING FUND FOR ADMINISTRATIVE EXPENSES

1986 appropriation	($29,403,000)
1987 budget estimate	(39,420,000)
Recommended in the bill	(39,420,000)
Comparison:	
1986 appropriation	(+10,017,000)
1987 budget estimate	....

The Farm Credit Administration, originally created by Executive Order No. 6084 on May 27, 1933, was transferred to the Department of Agriculture on July 1, 1939, by Reorganization Plan No. 1. Since December 4, 1953, the Administration has been an independent agency under the direction of a Federal Farm Credit Board (12 U.S.C. 636).

The Farm Credit Administration (FCA) is responsible for regulating, supervising, and examining the institutions of the Farm Credit System. The FCA and the System institutions operate under the authority of the Farm Credit Act of 1971 (12 U.S.C. § 2001 et seq.). The institutions of the System are the Federal land banks, Federal land bank associations, Federal intermediate credit banks, production credit associations, and banks for cooperatives. The combined lending activities in the System institutions provide short- and long-term credit to the Nation's farmers, ranchers, and producers and harvesters of aquatic products, and their cooperatives. System institutions are owned by their member borrowers. The operation of the System is funded through the sale of systemwide consolidated bonds and discount notes in the public money markets, and the institutions are fully liable for the payment of these securities. The operating expenses of the FCA are paid by the System institutions through assessments, which are deposited in a special fund in the Treasury which is available for the use of the FCA.

COMMITTEE RECOMMENDATIONS

For the limitation on the revolving fund for administrative expenses of the Farm Credit Administration the Committee recommends $39,420,000, an increase of $10,017,000 above the fiscal year 1986 adjusted amount and the same as the budget request.

The Committee is concerned about reports from member banks that the assessment formula being used during the time of transition of FCA to do its own examinations of Federal land bank and production credit associations is not equitable. The Committee directs FCA to review its formula and adjust its assessments at the earliest possible date.

TITLE VI—GENERAL PROVISIONS

Sections 601 through 629 of the General Provisions contained in the accompanying bill for fiscal year 1987 are essentially the same as those included in previous appropriation bills.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4), Rule XI of the House of Representatives, the Committee offers the following statement in support of its opinion that this bill, as proposed, will have no overall inflationary impact over the broad spectrum of the Nation's economy.

New obligational authority has been reduced $6,229,000 below the 1987 budget request. The majority of this decrease is in the reimbursement to revolving fund accounts for the differential between interest income and interest costs. Restoration and other increases made by the Committee for certain essential purposes, as discussed earlier in this report, have been more than offset by reductions elsewhere.

The restoration of funds for rural development programs should result in a substantial benefit in our economy by providing additional employment in the construction industry—a non-inflationary benefit.

The restoration and addition of funds for the various research, extension and conservation activities of USDA should help to protect our Nation's land and water resources and encourage food and fiber production to meet domestic and overseas needs, both of which are anti-inflationary in effect.

TRANSFER OF FUNDS

Pursuant to clause 1(b), Rule X of the House of Representatives, the following statement is submitted describing the transfer of funds provided in the accompanying bill.

1. *Rental Payments (USDA).*—The bill allows transfers to or from the rental payments account based on changing space requirements.
2. *Departmental Administration.*—The bill allows reimbursement for expenses related to certain hearings.
3. *Agricultural Research Service.*—The bill authorizes the transfer of not to exceed $200,000 to the Office of the Assistant Secretary for Science and Education for the review of international issues involving agricultural chemicals and food additives.
4. *Agricultural Research Service, Buildings and Facilities.*—The bill authorizes the transfer of funds to allow for the funds to be used in support of the most appropriate program or the most efficient program management.
5. *Extension Service.*—The bill authorizes the transfer of $38,627,000 for fiscal year 1987 from the food stamp program to

cover work under the expanded food and nutrition education program (EFNEP) involving food stamp recipients.

6. *Animal and Plant Health Inspection Service.*—Authority is included in this paragraph to enable the Secretary of Agriculture to transfer from other appropriations or funds of the Department such sums as may be necessary to combat emergency outbreaks of certain diseases of animals, plants, and poultry.

7. *Agricultural Marketing Service.*—The bill limits the transfer of section 32 funds to purposes specified in the bill.

8. *Agricultural Stabilization and Conservation Service.*—The language for "salaries and expenses" includes authority to transfer funds from the Commodity Credit Corporation to meet the program and administrative costs of work performed by this agency related to activities of CCC. Authority is also included to permit the transfer of funds from other programs of ASCS for work related to these programs.

9. *General Sales Manager.*—The bill authorizes the transfer of not to exceed $5,827,000 from the Commodity Credit Corporation to meet the cost of work performed by the Office of the General Sales Manager.

10. *Farmers Home Administration.*—The "salaries and expenses" paragraph authorizes the transfer of funds from the various programs of this agency for temporary field employment. It also provides that funds may be transferred from loan accounts for duties related to insurance of loans and collection of interest charges.

11. *Child Nutrition Programs.*—The language includes authority to transfer section 32 funds to these programs.

12. *Public Law 480.*—The language allows for the transfer of funds from the Commodity Credit Corporation as authorized by 7 U.S.C. 1702. Language is also included to allow the transfer of up to 15 percent of the funds between titles I and II.

13. *Rental Payments (FDA).*—The bill allows transfers to or from the rental payments account based on changing space requirements.

CHANGES IN THE APPLICATION OF EXISTING LAW

Pursuant to clause 3, Rule XXI of the House of Representatives, the following statements are submitted describing the effect of provisions in the accompanying bill which directly or indirectly change the application of existing law. In most instances, these provisions have been included in prior appropriation bills, often at the request of or with the knowledge and consent of the responsible legislative committees.

Language is included in various parts of the bill to continue ongoing activities of those Federal agencies which require annual authorization or additional legislation, which to date has not been enacted.

The bill includes a number of provisions which place limitations on the use of funds in the bill or change existing limitations and which might, under some circumstances, be construed as changing the application of existing law.

1. *Office of the Secretary.*—Language is included to limit the amount of funds for official reception and representation expenses;

as determined by the Secretary, but not limited to extending courtesies to representatives of foreign countries as specified in other laws.

2. *Rental Payments (USDA).*—Language is included to allow transfer of limited amounts to and from this account.

2a. *Agricultural Research Service, Buildings and Facilities.*—Language is included which will allow the Department to construct facilities to house the Bonsai collections at the National Arboretum, which is located in the District of Columbia.

3. *Animal and Plant Health Inspection Service.*—A provision heretofore carried regarding State matching funds has been continued for 1986 to assure more effective operation of the brucellosis control program through State cost-sharing, with resulting savings to the Federal budget. The language allows accelerated Federal effort in selected States without being delayed by waiting for state funding to catch up. Language is also included which allows funds appropriated for the construction of buildings and facilities to remain available until expended.

4. *Economic Research Service.*—A provision heretofore carried in the annual appropriation bill is again included to authorize the expenditure of not less than $200,000 for economic analysis of data to determine the effect upon food production and the agricultural economy of proposals pending before the Environmental Protection Agency. This proviso enables the Department to keep abreast of developments and represents the interests of agriculture in environmental matters.

5. *Statistical Reporting Service.*—This paragraph continues a proviso, which has been in the annual appropriation bill since fiscal year 1941, which limits the availability of funds for the publication of estimates otherwise authorized for apple production for other than the commercial crop. This was inserted by Congress in view of the need to continue separate estimates for the commercial crop.

6. *Section 32 Funds.*—The bill includes authority to transfer section 32 funds to the child nutrition programs. This is required to increase funds available for cash payments to States for these programs and to purchase and distribute agricultural commodities pursuant to section 6 of the National School Lunch Act. Under the paragraph in the bill headed "Funds for Strengthening Markets, Income, and Supply (Section 32)", language is included to authorize these transfers.

7. *Dairy Indemnity Program.*—Language is included to strengthen basic law by the prevention of indemnity payments to farmers whose milk is removed from commercial markets due to their willful failure to follow Federal procedures. This has been carried in annual appropriation bills since 1968 to protect the Federal Government from irresponsible claimants.

8. *Commodity Credit Corporation, Reimbursement for Net Realized Losses.*—Language is included to provide for reimbursement of both current year and prior losses rather than only prior year losses. In addition, specific limitations are provided for export guarantee loan claims, conservation reserve program, export enhancement program, Federal crop insurance program, targeted export assistance program, and interest payments to the U.S. Treasury.

9. *General Sales Manager.*—This paragraph includes language which earmarks funds to expand and strengthen the sales program of the Corporation, to be headed by a Sales Manager who shall report to the Board of Directors of CCC, of which the Secretary of Agriculture is a member.

10. *Rural Electrification Administration.*—Language is included in both revolving fund loand loan authorizations and the rural telephone bank to place minimum and maximum limitations on the amount of loans for 1985 to provide for overall credit control, yet allow adequate flexibility to meet unforeseen changes in the rural economy. Language is also included to provide for supplemental financing in accordance with the applicable criteria and ratios in effect on July 15, 1982, and that none of the funds may be used to deny or reduce loans or loan advances based upon a borrower's level of general funds. The supplemental financing provision has been in all bills since 1983, and the general funds provision was added for fiscal year 1986.

11. *SCS—Conservation Operations.*—This language, which has been included in the bill since 1938, includes a prohibition against construction of buildings on land not owned by the government, although construction on land owned by States and counties is authorized by basic law. This paragraph also includes language carried in the bill since 1950 which prohibits the use of funds for demonstration projects authorized by the Act of April 27, 1935.

12. *SCS—Watershed and Flood Prevention Operations.*—This language, which was also included in the Emergency Jobs Bill and all bills since 1984, provides that funds may be used for rehabilitation of existing works.

13. *Agricultural Conservation Program.*—Language is included under this item which continues a limitation carried in the bill since fiscal year 1963 to prevent provision of financial or technical assistance for drainage on certain wetlands. This proviso, which was expanded in the 1979 bill, is designed to prevent the drainage of potholes in various parts of the country which are most vital to the preservation of the supply of American waterfowl. Also, a provision is continued in the bill to limit payments to any one participant to $3,500, which is below the level authorized by existing law. Exception is provided where two or more participants join together or for long-term agreements. Language is included to provide that the conservation practices to be used shall be those determined and recommended by county committees and approved by State committees and the Secretary.

14. *Child Nutrition Programs.*—Language is included to allow payment of only those reimbursement claims submitted in a timely manner, to allow payment of program funds to States only if operations report are submitted in a timely manner, and to allow the Secretary to grant exceptions to these time constraints. A provision is again included to provide a minimum nutrition education and training grant of $50,000 for each State.

15. *Special Milk Program.*—Language is included to allow payment of only those reimbursement claims submitted in a timely manner, to allow payment of program funds to states only if operations reports are submitted in a timely manner, and to allow the Secretary to grant exceptions to these time constraints.

16 and 17. *Commodity Supplemental Food Program.*—Language is included to provide that none of these funds are available to reinforce CCC for commodities donated to the program.

18. *Temporary Emergency Food Assistance Program.*—Language is included to provide that funds shall be available only if the Secretary determines the existence of surplus commodities.

19. *Public Law 480.*—A provision is included to permit merging of appropriated funds with funds received from sales of foreign currencies, loan repayments and long-term credit sales without regard to budget year amounts. Language is also included to provide for transfers between titles I and II.

20. *Office of International Cooperation and Development.*—Language carried in previous annual appropriation bills is again included to enable this organizational unit to utilize funds received by an advance or by reimbursement to carry out its activities involving international development and technical cooperation.

21. *Rental Payments (FDA).*—Language is included to allow transfer of limited amounts to and from this account.

22. *General Provisions.*—Section 601: This paragraph repeats language carried previously in the bill which limits the expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to 5 U.S.C. 3109, to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive Order issued pursuant to existing law.

Section 605: This provision, which has been included in prior appropriation bills, prohibits otherwise authorized payments to producers who harvest or permit harvesting of marihuana, or other prohibited drug-producing plants on their land. This restriction makes a valuable contribution to the enforcement of drug control measures in the U.S.

Section 606: This paragraph repeats language carried previously in the bill which extends to all agencies of the Department the Secretary's authority to authorize advances to chiefs of field parties of the Forest Service. Such advances are especially useful, for example, to field scientists who are searching for new seeds and plants and must be able to immediately purchase them when found. The Department has requested that this broader authority be made permanent by appropriate authorizing legislation.

Section 607: This paragraph repeats language carried previously in the bill which permits the accumulation of growth capital not to exceed $2,000,000, and which provides that no funds appropriated to an agency shall be transferred to the Working Capital Fund without the approval of the agency administrator. The Section also limits to $40,999,000 the amount of personal compensation and benefits that can be charged against the fund.

Section 608: Language carried in last year's appropriation bill is again included which provides that certain appropriations in this bill shall remain available until expended where the programs or projects involved are continuing in nature under the provisions of authorizing legislation, but for which such legislation does not specifically provide for extended availability. This authority tends to result in savings by preventing the wasteful practice often found in government of rushing to commit funds at the end of the fiscal year without due regard to the value of the purpose for which the funds are used. Such extended availability is also essential in view of the long lead time frequently required to negotiate agreements or contracts which normally extend over a period of more than one year. Under these conditions such authority is commonly provided in appropriation bills where omitted from basic law. These provisions have been carried through the years in this bill to facilitate efficient and effective program execution and to assure maximum savings. They involve the following items: scientific activities overseas (foreign currency program), Public Law 480, mutual and self-help housing, rural housing for domestic farm labor, watershed and flood prevention operations, resource conservation and development, Colorado River Basin salinity control program, Animal and Plant Health Inspection Service buildings and facilities. Agricultural Stabilization and Conservation Service salaries and expenses funds made available to county committees. Federal Crop Insurance Corporation Fund, and buildings and facilities of the Food and Drug Administration.

Section 611: This paragraph provides authority to utilize employees of the agencies of the Department and the ASC county committees to provide part-time and intermittent assistance to other agencies without reimbursement during periods when not otherwise fully utilized.

Section 615: This provision, which was contained in the fiscal year 1981 bill and all bills since, requires that certificates of beneficial ownership sold by the Farmers Home Administration shall be not less than 65 percent of the value of the loans closed during the fiscal year. This provision results in a more accurate reflection of outlays in a given fiscal year.

Section 616: This provision was also contained in the fiscal year 1981 appropriation bill and all bills since. This provision limits the overhead that can be charged on cooperative agreements to a maximum of 10 percent. This provision is necessary because many universities attempted to apply the same overhead rates to cooperative agreements as was being applied to grants and contracts, without giving consideration to the cooperator's contributions as an offset to the overhead charges.

Section 617: This provision is included to prevent the resource conservation and development program from being phased out during fiscal year 1987 as the budget request proposed.

Section 620: Extends language now in the law which requires the President to certify that it is in the national interest before the Commodity Credit Corporation can honor loan guarantees on loans made to the Polish People's Republic.

Section 621: Provides that none of the funds in the Act shall be available to reimburse the General Services Administration for standard level user charges in excess of the amounts specified in the Act.

Section 622: Requires the Secretary of Agriculture to start not less than 20 new projects under Public Law 566 and not less than 5 new projects under Public Law 534.

Section 623: Provides authority to translate USDA publications into a foreign language if determined by the Secretary to be in the public interest. This authority is now available to most, but not all, USDA agencies, and extending this authority to all USDA agencies will be beneficial to the Department's efforts to expand foreign markets for U.S. products.

Section 624: This provision is included to prevent the relocation of the Hawaii State Office of the Farmers Home Administration from Hilo, Hawaii, to Honolulu, Hawaii.

Section 625: Clarifies the Department's authority to enter into personal service contracts with private veterinarians in order to compensate for workload fluctuations and to minimize Federal personnel costs.

Section 626: Provides employment floors for three of the major agencies of USDA to assure that personnel are compatible with funding levels provided by the Congress.

Section 627: Provides that one-year contracts may be performed in two fiscal years if obligated in the year for which appropriated to allow for more efficient and economical contract management.

Section 629: Provides that none of the funds in the Act may be used to restrict the authority of CCC to lease space. This provision allows CCC to continue to lease space at a lower cost than space leased by GSA.

COMPARISON WITH BUDGET RESOLUTION

Section 308(a)(1)(A) of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344), as amended, requires that the report accompanying a bill providing new budget authority contain a statement detailing how the authority compares with the reports submitted under section 302 of the Act for the most recently agreed to concurrent resolution on the budget for the fiscal year. This information follows:

[In millions]

	Sec. 302(b)		This bill [1]	
	Discretionary	Mandatory	Discretionary	Mandatory
Budget authority	$44,900	$4,648	$41,756	$3,887
Outlays	19,141	6,269	19,314	6,277
Direct loans	6,662	159	6,662	159
Primary guarantees	2,602	274	2,596	274

[1] Includes permanents and Sec. 32 transfer.

The bill provides no new spending authority as described in section 401(c)(2) of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344), as amended.

FIVE-YEAR PROJECTIONS

In compliance with section 308(a)(1)(C) of the Congressional Budget Act of 1974 (Public Law 93-344), as amended, the following table contains five-year projections associated with the budget authority provided in the accompanying bill:

	Thousands
Budget authority	$41,946,393
Outlays:	
Fiscal year 1987	23,116,318
Fiscal year 1988	1,676,202

	Thousands
Fiscal year 1989	186,627
Fiscal year 1990	54,927
Fiscal year 1991 and future years	51,772

In accordance with section 308(a)(1)(C) of the Congressional Budget Act of 1974 (Public Law 93-344), as amended, the following information was provided to the Committee by the Congressional Budget Office:

The bill provides no new revenues or tax expenditures, and will have no effect on budget authority, budget outlays, spending authority, revenues, tax expenditures, direct loan obligations, or primary loan guarantee commitments available under existing law for fiscal year 1988 and beyond.

FINANCIAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

In accordance with section 308(a)(1)(D) of the Congressional Budget Act of 1974 (Public Law 93-344), as amended, the financial assistance to State and local government is as follows:

	Thousands
New budget authority	$8,516,021
Fiscal year 1987 outlays resulting therefrom	7,589,201

PROGRAM, PROJECT, AND ACTIVITY

During fiscal year 1987, for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), the following information provides the definition of the term "program, project, and activity" for departments and agencies under the jurisdiction of the Agriculture, Rural Development, and Related Agencies Subcommittee. The term "program, project, and activity" shall include the most specific level of budget items identified in the Agriculture, Rural Development, and Related Agencies Appropriations Act, 1987, the House and Senate Committee reports, and the conference report and accompanying joint explanatory statement of the managers of the committee of conference.

If a Sequestration Order is necessary, in implementing the Presidential Order, departments and agencies shall apply any percentage reduction required for fiscal year 1987 pursuant to the provisions of Public Law 99-177 to all items specified in the explanatory notes submitted to the Committees on Appropriations of the House and Senate in support of the fiscal year 1987 budget estimates, as amended, for such departments and agencies, as modified by congressional action, and in addition:

For the Agricultural Research Service the definition shall include specific research locations as identified in the explanatory notes and lines of research specifically identified in the reports of the House and Senate Appropriations Committees.

For the Soil Conversation Service the definition shall include individual flood prevention projects as identified in the explanatory notes and individual operational watershed projects as summarized in the notes.

For the Farmers Home Administration the definition shall include individual State, district and county offices.

For the Agricultural Stabilization and Conversation Service the definition shall include individual State and county offices.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1986 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1987

Agency and item	New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987	New budget (obligational) authority, recommended in bill	Bill compared with— New budget (obligational) authority, fiscal year 1986	Bill compared with— Budget estimates of new (obligational) authority, fiscal year 1987
TITLE I - AGRICULTURAL PROGRAMS					
Production, Processing and Marketing					
Office of the Secretary	1,648,000	1,790,000	1,648,000	---	-142,000
Office of the Assistant Secretary for Administration	455,000	495,000	455,000	---	-40,000
Rental Payments (USDA)	48,728,000	57,380,000	48,728,000	---	-8,652,000
Building Operations and Maintenance (USDA)	16,932,000	18,800,000	18,039,000	+1,107,000	-761,000
Advisory Committees (USDA)	1,258,000	1,323,000	1,358,000	+100,000	+35,000
Departmental Administration	21,251,000	21,920,000	21,180,000	-71,000	-740,000
Working Capital Fund	5,964,000	6,000,000	5,708,000	-256,000	-292,000
Office of the Assistant Secretary for Governmental and Public Affairs	318,000	345,000	318,000	---	-27,000
Office of Governmental and Public Affairs:					
Public affairs	7,407,000	7,624,000	7,293,000	-114,000	-331,000
Legislative liaison	471,000	486,000	465,000	-6,000	-21,000
Intergovernmental affairs	444,000	460,000	440,000	-4,000	-20,000
Total, Office of Governmental and Public Affairs	8,322,000	8,570,000	8,198,000	-124,000	-372,000
Office of the Inspector General	28,537,000	46,321,000	44,461,000	+15,924,000	-1,860,000
(Transfer from food stamp program)	(15,924,000)	---	---	(-15,924,000)	---
Total, Office of the Inspector General	(44,461,000)	(46,321,000)	(44,461,000)	---	(-1,860,000)
Office of the General Counsel	16,124,000	17,430,000	16,832,000	+708,000	-598,000
(Transfer from food stamp program)	(786,000)	---	---	(-786,000)	---
Total, Office of the General Counsel	(16,910,000)	(17,430,000)	(16,832,000)	(-78,000)	(-598,000)
Office of the Assistant Secretary for Economics	448,000	485,000	448,000	---	-37,000
Economic Research Service	43,982,000	45,475,000	43,982,000	---	-1,493,000
Statistical Reporting Service	56,137,000	59,712,000	56,787,000	+650,000	-2,925,000
World Agricultural Outlook Board	1,591,000	1,680,000	1,608,000	+17,000	-72,000
Office of the Assistant Secretary for Science and Education	350,000	380,000	350,000	---	-30,000

Agricultural Research Service	476,177,000	511,053,000	496,748,000	+20,571,000	-14,305,000
Special fund	1,903,000	2,000,000	2,000,000	+97,000	---
Buildings and facilities	6,041,000	---	35,500,000	+29,459,000	+35,500,000
Scientific activities overseas (foreign currency program)	2,854,000	---	2,500,000	-354,000	+2,500,000
Total, Agrucultural Research Service	486,975,000	513,053,000	536,748,000	+49,773,000	+23,695,000
Cooperative State Research Service	276,124,000	246,356,000	269,092,000	-7,032,000	+22,736,000
(Transfer from Commodity Credit Corporation)	(5,000,000)	---	---	(-5,000,000)	---
Extension Service	291,042,000	140,000,000	289,317,000	-1,725,000	+149,317,000
(Transfer from food stamp program)	(36,967,000)	---	(38,627,000)	(+1,660,000)	(+38,627,000)
Total, Extension Service	(328,009,000)	(140,000,000)	(327,944,000)	(-65,000)	(+187,944,000)
National Agricultural Library	10,778,000	11,421,000	10,936,000	+158,000	-485,000
Office of the Assistant Secretary for Marketing and Inspection Services	327,000	355,000	327,000	---	-28,000
Animal and Plant Health Inspection Service:					
Salaries and expenses	300,684,000	253,156,000	295,929,000	-4,755,000	+42,773,000
(Transfer from Commodity Credit Corporation)	(16,100,000)	---	---	(-16,100,000)	---
Buildings and facilities	4,054,000	2,347,000	2,246,000	-1,808,000	-101,000
Total, Animal & Plant Health Inspection Service	304,738,000	255,503,000	298,175,000	-6,563,000	+42,672,000
Food Safety and Inspection Service	355,584,000	365,841,000	361,400,000	+5,816,000	-4,441,000
Federal Grain Inspection Service	6,697,000	6,979,000	6,697,000	---	-282,000
Inspection and Weighing Services (limitation on administrative expenses, from fees collected)	(35,244,000)	(36,829,000)	(36,829,000)	(+1,585,000)	---
Agricultural Cooperative Service	4,469,000	3,698,000	4,469,000	---	+771,000
Agricultural Marketing Service:					
Marketing Services	30,468,000	31,053,000	30,945,000	+477,000	-108,000
(Limitation on administrative expenses, from fees collected)	(27,253,000)	(28,164,000)	(28,164,000)	(+911,000)	---
Funds for strengthening markets, income, and supply (Section 32) (by transfer)	(5,936,000)	(6,273,000)	(6,773,000)	(+837,000)	(+500,000)
Payments to States and possessions	942,000	---	942,000	---	+942,000
Office of Transportation	2,340,000	1,233,000	2,340,000	---	+1,107,000
Total, Agricultural Marketing Service	33,750,000	32,286,000	34,227,000	+477,000	+1,941,000
Packers and Stockyards Administration	8,820,000	9,093,000	8,945,000	+125,000	-148,000
Total, Production, Processing and Marketing	2,031,349,000	1,872,691,000	2,090,433,000	+59,084,000	+217,742,000

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1986 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1987—Continued

Agency and item	New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987	New budget (obligational) authority, recommended in bill	Bill compared with—	
				New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987
Farm Income Stabilization					
Office of the Under Secretary for International Affairs and Commodity Programs	473,000	513,000	473,000	---	-40,000
Agricultural Stabilization and Conservation Service:					
(Transfer from Commodity Credit Corporation)	(455,237,000)	(463,696,000)	(449,403,000)	(-5,834,000)	(-14,293,000)
Dairy indemnity program	9,095,000	---	95,000	-9,000,000	+95,000
Total, Farm Income Stabilization	464,805,000	464,209,000	449,971,000	-14,834,000	-14,238,000
CORPORATIONS					
Federal Crop Insurance Corporation:					
Administrative and operating expenses	209,468,000	239,885,000	209,568,000	+100,000	-30,317,000
Federal crop insurance corporation fund	134,190,000	135,743,000	135,743,000	+1,553,000	---
Total, Federal Crop Insurance Corporation	343,658,000	375,628,000	345,311,000	+1,653,000	-30,317,000
Commodity Credit Corporation:					
Reimbursement for net realized losses 1/	24,908,926,000	16,808,806,000	16,808,806,000	-8,100,120,000	---
General Sales Manager (transfer from Commodity Credit Corporation)	(5,827,000)	(6,089,000)	(5,827,000)	---	(-262,000)
Total, Farm Income Stabilization:					
New budget (obligational) authority	25,262,152,000	17,184,947,000	17,154,685,000	-8,107,467,000	-30,262,000
(By transfer)	(461,064,000)	(469,785,000)	(455,230,000)	(-5,834,000)	(-14,555,000)
Total, title I, Agricultural Programs:					
New budget (obligational) authority	27,293,501,000	19,057,638,000	19,245,118,000	-8,048,383,000	+187,480,000
Definite appropriations	(27,293,501,000)	(19,057,638,000)	(19,245,118,000)	(-8,048,383,000)	(+187,480,000)
(By transfer)	(535,841,000)	(469,785,000)	(493,857,000)	(-41,984,000)	(+24,072,000)

(Transfer from Sec. 32)	(5,936,000)	(6,273,000)	(6,773,000)	(+837,000)	(+500,000)
(Limitation on obligations)	(62,497,000)	(64,993,000)	(64,993,000)	(+2,496,000)	---

TITLE II - RURAL DEVELOPMENT PROGRAMS

Rural Development Assistance

Office of the Under Secretary for Small Community and Rural Development	744,000	422,000	394,000	-350,000	-28,000
Farmers Home Administration:					
Rural Housing Insurance Fund:					
Direct loans	(11,335,000)	---	(14,355,000)	(+3,020,000)	(+14,355,000)
Insured loans	(2,022,184,000)	---	(2,021,184,000)	(-1,000,000)	(+2,021,184,000)
Collection and servicing contracts (limitation on obligations)	(10,000,000)	(10,000,000)	(10,000,000)	---	---
Site loans	(574,000)	---	(574,000)	---	(+574,000)
Rent supplement authorization (limitation)	(160,310,000)	---	(160,310,000)	---	(+160,310,000)
Reimbursement for interest and other losses	1,996,283,000	2,714,566,000	2,296,283,000	+300,000,000	-418,283,000
Total, Rural Housing Insurance Fund:					
New budget (obligational) authority	1,996,283,000	2,714,566,000	2,296,283,000	+300,000,000	-418,283,000
(Loan authorization)	(2,194,403,000)	---	(2,196,423,000)	(+2,020,000)	(+2,196,423,000)
(Limitation on obligations)	(10,000,000)	(10,000,000)	(10,000,000)	---	---
Agricultural Credit Insurance Fund:					
Farm ownership loans:					
Insured	(388,820,000)	(195,000,000)	(190,000,000)	(-198,820,000)	(-5,000,000)
Guaranteed	(249,250,000)	(325,000,000)	(325,000,000)	(+75,750,000)	---
Total, real estate loans	(638,070,000)	(520,000,000)	(515,000,000)	(-123,070,000)	(-5,000,000)
Operating loans:					
Insured	(1,578,000,000)	(1,305,000,000)	(1,298,000,000)	(-280,000,000)	(-7,000,000)
Guaranteed	(1,734,000,000)	(2,175,000,000)	(2,170,000,000)	(+436,000,000)	(-5,000,000)
Total, operating loans	(3,312,000,000)	(3,480,000,000)	(3,468,000,000)	(+156,000,000)	(-12,000,000)
Indian tribe land acquisition loans	(3,828,000)	---	(3,828,000)	---	(+3,828,000)
Soil and Water Loans:					
Insured	(21,054,000)	---	(12,000,000)	(-9,054,000)	(+12,000,000)
Guaranteed	(5,742,000)	---	(5,000,000)	(-742,000)	(+5,000,000)
Watershed and Flood Prevention	(13,398,000)	---	(13,398,000)	---	(+13,398,000)
Resource Conservation Loans	(1,914,000)	---	(1,914,000)	---	(+1,914,000)

1/ Requested in the FY 1986 and 1987 budget documents as a permanent indefinite appropriation.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1986 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1987—Continued

Agency and item	New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987	New budget (obligational) authority, recommended in bill	Bill compared with— New budget (obligational) authority, fiscal year 1986	Bill compared with— Budget estimates of new (obligational) authority, fiscal year 1987
Emergency disaster loans	(1,244,100,000)	(700,000,000)	(700,000,000)	(-544,100,000)	---
Reimbursement for interest and other losses	1,083,403,000	2,440,203,000	1,723,403,000	+640,000,000	-716,800,000
Total, Agricultural Credit Insurance Fund:					
New budget (obligational) authority	1,083,403,000	2,440,203,000	1,723,403,000	+640,000,000	-716,800,000
(Loan authorization)	(5,240,106,000)	(4,700,000,000)	(4,719,140,000)	(-520,966,000)	(+19,140,000)
Rural Development Insurance Fund:					
Water and sewer facility loans	(325,380,000)	---	(325,380,000)	---	(+325,380,000)
Industrial development loans: Guaranteed	(95,700,000)	---	(95,700,000)	---	(+95,700,000)
Community facility loans	(95,700,000)	---	(95,700,000)	---	(+95,700,000)
Reimbursement for losses	556,645,000	736,619,000	656,645,000	+100,000,000	-79,974,000
Total, Rural Development Insurance Fund:					
New budget (obligational) authority	556,645,000	736,619,000	656,645,000	+100,000,000	-79,974,000
(Loan authorization)	(516,780,000)	---	(516,780,000)	---	(+516,780,000)
Rural water and waste disposal grants	109,395,000	---	109,395,000	---	+109,395,000
Very low-income housing repair grants	13,891,000	---	11,891,000	-2,000,000	+11,891,000
Rural housing for domestic farm labor	9,513,000	---	9,513,000	---	+9,513,000
Mutual and self-help housing	7,610,000	---	7,610,000	---	+7,610,000
Rural community fire protection grants	3,091,000	---	3,091,000	---	+3,091,000
Compensation for construction defects	713,000	---	713,000	---	+713,000
Rural housing preservation grants	19,140,000	---	19,140,000	---	+19,140,000

Salaries and expenses	356,106,000	382,639,000	381,867,000	+25,761,000	-772,000
(Transfer from loan accounts)	(4,000,000)	(4,000,000)	(4,000,000)	---	---
Total, salaries and expenses	(360,106,000)	(386,639,000)	(385,867,000)	(+25,761,000)	(-772,000)
Total, Farmers Home Administration	4,155,790,000	6,274,027,000	5,219,551,000	+1,063,761,000	-1,054,476,000
Rural Electrification Administration:					
Rural electrification & telephone revolving fund:					
Direct loans:					
Insured loans:					
Electric	(622,050,000)	(375,000,000)	(622,050,000)	---	(+247,050,000)
Telephone	(239,250,000)	(60,000,000)	(239,250,000)	---	(+179,250,000)
Total, Insured loans	(861,300,000)	(435,000,000)	(861,300,000)	---	(+426,300,000)
Guaranteed loans:					
Electric	(813,450,000)	(225,000,000)	(813,450,000)	---	(+588,450,000)
Telephone	(119,625,000)	---	(119,625,000)	---	(+119,625,000)
Total, Guaranteed loans	(933,075,000)	(225,000,000)	(933,075,000)	---	(+708,075,000)
Reimbursement for interest and other losses	99,400,000	---	100,000,000	+600,000	+100,000,000
Rural telephone bank	(28,530,000)	---	(28,710,000)	(+180,000)	(+28,710,000)
Direct loans (limitation on obligations)	(177,045,000)	(139,000,000)	(177,045,000)	---	(+38,045,000)
Rural communication development fund	1,196,000	1,591,000	1,591,000	+395,000	---
Salaries and expenses	29,447,000	26,355,000	29,447,000	---	+3,092,000
Total, Rural Electrification Administration	30,643,000	27,946,000	31,038,000	+395,000	+3,092,000
Total, Rural Development Assistance:					
New budget (obligational) authority	4,187,177,000	6,302,395,000	5,250,983,000	+1,063,806,000	-1,051,412,000
(By transfer)	(4,000,000)	(4,000,000)	(4,000,000)	---	---
(Loan authorization)	(7,951,289,000)	(4,700,000,000)	(7,432,343,000)	(-518,946,000)	(+2,732,343,000)
(Limitation on obligations)	(10,000,000)	(10,000,000)	(10,000,000)	---	---
Conservation					
Office of the Assistant Secretary for Natural Resources and Environment	363,000	395,000	363,000	---	-32,000

1/ Transferred to FmHA from HHS pursuant to Sec. 1323 of P.L. 99-198. Rescission proposes to rescind unobligated balances in the fund.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1986 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1987—Continued

Agency and item	New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987	New budget (obligational) authority, recommended in bill	Bill compared with—	
				New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987
Soil Conservation Service:					
Conservation operations	348,340,000	361,996,000	361,520,000	+13,180,000	-476,000
River basin surveys and investigations	14,166,000	9,472,000	14,166,000	---	+4,694,000
Watershed planning	8,480,000	6,480,000	8,480,000	---	+2,000,000
Watershed and flood prevention operations	257,400,000	67,778,000	174,885,000	-82,515,000	+107,107,000
Resource conservation and development	25,020,000	11,400,000	25,020,000	---	+13,620,000
Great Plains conservation program	20,474,000	---	20,474,000	---	+20,474,000
Total, Soil Conservation Service	673,880,000	457,126,000	604,545,000	-69,335,000	+147,419,000
Agricultural Stabilization and Conservation Service:					
Agricultural conservation program	180,739,000	---	180,739,000	---	+180,739,000
Forestry incentives program	11,891,000	---	11,891,000	---	+11,891,000
Water bank program	8,371,000	---	5,000,000	-3,371,000	+5,000,000
Emergency conservation program	5,000,000	---	---	-5,000,000	---
Colorado River Basin, salinity control program	---	---	3,804,000	+3,804,000	+3,804,000
Total, Agricultural Stabilization and Conservation Service	206,001,000	---	201,434,000	-4,567,000	+201,434,000
Total, Conservation:					
New budget (obligational) authority	880,244,000	457,521,000	806,342,000	-73,902,000	+348,821,000
Total, title II, Rural Development Programs:					
New budget (obligational) authority	5,067,421,000	6,759,916,000	6,057,325,000	+989,904,000	-702,591,000
(By transfer)	(4,000,000)	(4,000,000)	(4,000,000)	---	---
(Loan authorization)	(7,951,289,000)	(4,700,000,000)	(7,432,343,000)	(-518,946,000)	(+2,732,343,000)
TITLE III - DOMESTIC FOOD PROGRAMS					
Office of the Assistant Secretary for Food and Consumer Services	330,000	358,000	330,000	---	-28,000

Food and Nutrition Service:					
Child nutrition programs	601,455,000	230,413,000	162,399,000	-439,056,000	-68,014,000
Amount available subject to budget request	(240,949,000)	---	(775,281,000)	(+534,332,000)	(+775,281,000)
(Transfer from sec. 32)	(3,271,592,000)	(3,227,923,000)	(3,295,937,000)	(+24,345,000)	(+68,014,000)
Total, Child nutrition programs	(4,113,996,000)	(3,458,336,000)	(4,233,617,000)	(+119,621,000)	(+775,281,000)
Special milk program	11,500,000	---	14,869,000	+3,369,000	+14,869,000
Feeding program for Women, Infants and Children (WIC)	1,580,494,000	1,617,000,000	1,671,500,000	+91,006,000	+54,500,000
Commodity supplemental food program	36,777,000	38,605,000	41,497,000	+4,720,000	+2,892,000
(Transfer from Commodity Credit Corporation)	(3,950,000)	---	---	(-3,950,000)	---
Food stamp program	12,637,703,000	12,343,579,000	12,684,665,000	+46,962,000	+341,086,000
Nutrition assistance for Puerto Rico	(820,050,000)	(825,000,000)	(852,750,000)	(+32,700,000)	(+27,750,000)
Food donations programs for selected groups:					
Needy family program	54,006,000	55,300,000	56,432,000	+2,426,000	+1,132,000
Elderly feeding program	139,583,000	132,000,000	137,157,000	-2,426,000	+5,157,000
Total, Food donations programs	193,589,000	187,300,000	193,589,000	---	+6,289,000
Temporary emergency food assistance program	50,000,000	---	50,000,000	---	+50,000,000
Food program administration	78,403,000	86,100,000	82,578,000	+4,175,000	-3,522,000
Total, Food and Nutrition Service	15,189,921,000	14,502,997,000	14,901,097,000	-288,824,000	+398,100,000
Human Nutrition Information Service	12,890,000	6,876,000	8,976,000	-3,914,000	+2,100,000
Total, title III, Domestic Food Programs:					
New budget (obligational) authority	15,203,141,000	14,510,231,000	14,910,403,000	-292,738,000	+400,172,000
Definite appropriations	(15,203,141,000)	(14,510,231,000)	(14,910,403,000)	(-292,738,000)	(+400,172,000)
Subject to budget request	(240,949,000)	---	(775,281,000)	(+534,332,000)	(+775,281,000)
(Transfer from sec. 32)	(3,271,592,000)	(3,227,923,000)	(3,295,937,000)	(+24,345,000)	(+68,014,000)
TITLE IV - INTERNATIONAL PROGRAMS					
Foreign Agricultural Service	79,432,000	71,882,000	81,109,000	+1,677,000	+9,227,000
Public Law 480:					
Title I and III - Credit sales:					
Program level	(985,710,000)	(944,400,000)	(831,600,000)	(-154,110,000)	(-112,800,000)
Appropriation	624,976,000	564,400,000	451,600,000	-173,376,000	-112,800,000

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1986 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1987—Continued

Agency and item	New budget (obligational) authority, fiscal year 1986	Budget estimates of new (obligational) authority, fiscal year 1987	New budget (obligational) authority, recommended in bill	Bill compared with— New budget (obligational) authority, fiscal year 1986	Bill compared with— Budget estimates of new (obligational) authority, fiscal year 1987
Title II - Commodities for disposition abroad:					
Program level	(618,318,000)	(600,000,000)	(731,118,000)	(+112,800,000)	(+131,118,000)
Appropriation	618,318,000	600,000,000	731,118,000	+112,800,000	+131,118,000
Total, Public Law 480:					
Program level	(1,604,028,000)	(1,544,400,000)	(1,562,718,000)	(-41,310,000)	(+18,318,000)
Appropriation	1,243,294,000	1,164,400,000	1,182,718,000	-60,576,000	+18,318,000
Office of International Cooperation and Development	5,131,000	3,051,000	3,513,000	-1,618,000	+462,000
Total, title IV, International Programs:					
New budget (obligational) authority	1,327,857,000	1,239,333,000	1,267,340,000	-60,517,000	+28,007,000
TITLE V - RELATED AGENCIES					
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Food and Drug Administration:					
Salaries and expenses	377,606,000	393,778,000	410,540,000	+32,934,000	+16,762,000
Amount available subject to budget request	(6,634,000)	---	---	(-6,634,000)	---
Buildings and facilities	1,379,000	1,450,000	1,879,000	+500,000	+429,000
Rental payments (FDA)	24,627,000	28,372,000	24,627,000	---	-3,745,000
Collections from user fees (limitation on obligations)	---	(25,800,000)	---	---	(-25,800,000)
Total, Food and Drug Administration	403,612,000	423,600,000	437,046,000	+33,434,000	+13,446,000

INDEPENDENT AGENCIES					
Commodity Futures Trading Commission	27,983,000	30,418,000	29,161,000	+1,178,000	-1,257,000
Farm Credit Administration (limitation on administrative expenses)	(29,403,000)	(39,420,000)	(39,420,000)	(+10,017,000)	---
Total, title V, Related Agencies:					
Definite appropriations	431,595,000	454,018,000	466,207,000	+34,612,000	+12,189,000
Definite appropriations	(431,595,000)	(454,018,000)	(466,207,000)	(+34,612,000)	(+12,189,000)
Subject to budget request	(6,634,000)	---	---	(-6,634,000)	---
(Limitation on obligations)	(29,403,000)	(65,220,000)	(39,420,000)	(+10,017,000)	(-25,800,000)
RECAPITULATION					
Grand Total:					
New budget (obligational) authority	49,323,515,000	42,021,136,000	41,946,393,000	-7,377,122,000	-74,743,000
Definite appropriations	(49,323,515,000)	(42,021,136,000)	(41,946,393,000)	(-7,377,122,000)	(-74,743,000)
Indefinite appropriations	---	---	---	---	---
Subject to budget request	(247,583,000)	---	(775,281,000)	(+527,698,000)	(+775,281,000)
(By transfer)	(539,841,000)	(473,785,000)	(497,857,000)	(-41,984,000)	(+24,072,000)
(Loan authorization)	(7,951,289,000)	(4,700,000,000)	(7,432,343,000)	(-518,946,000)	(+2,732,343,000)
(Limitation on obligations)	(101,900,000)	(140,213,000)	(114,413,000)	(+12,513,000)	(-25,800,000)
Title I - Agricultural programs	27,293,501,000	19,057,638,000	19,245,118,000	-8,048,383,000	+187,480,000
Title II - Rural development programs	5,067,421,000	6,759,916,000	6,057,325,000	+989,904,000	-702,591,000
Title III - Domestic food programs	15,203,141,000	14,510,231,000	14,910,403,000	-292,738,000	+400,172,000
Title IV - International programs	1,327,857,000	1,239,333,000	1,267,340,000	-60,517,000	+28,007,000
Title V - Related agencies	431,595,000	454,018,000	466,207,000	+34,612,000	+12,189,000
Total, new budget (obligational) authority	49,323,515,000	42,021,136,000	41,946,393,000	-7,377,122,000	-74,743,000
Transfer from sec. 32 (Customs Receipts)	3,277,528,000	3,234,196,000	3,302,710,000	+25,182,000	+68,514,000
Total obligational authority	52,601,043,000	45,255,332,000	45,249,103,000	-7,351,940,000	-6,229,000
Memoranda:					
Direct and insured loan level	6,732,394,000	2,774,000,000	5,711,674,000	-1,020,720,000	+2,937,674,000
Guaranteed loan level	3,012,025,000	2,725,000,000	3,523,775,000	+511,750,000	+798,775,000
Transfers from Commodity Credit Corporation	480,287,000	463,696,000	449,403,000	-30,884,000	-14,293,000

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